

Applicants
Exhibits

#55-64

SUNCOR/IDWR PREHEARING CONFERENCE

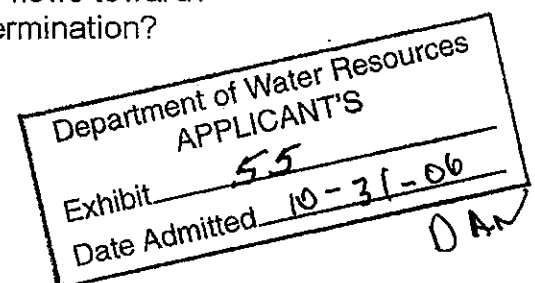
09/08/05

Protestant: Lyle K. Mullins

Issues and questions relating to SunCor ID, LLC's application No. 63-32061 for permit to appropriate the public waters of the State of Idaho:

Issues and questions relating to reduction of the **quantity** of water under the existing senior water rights of the Lexington Hills subdivision.

- 1) My primary concern as it relates to this "junior water rights" application is the absolute protection of the Lexington Hills subdivision's "senior water rights". I believe that it is the legal responsibility of IDWR under Idaho Administrative Code IDAPA 37.03.11 Conjunctive Management of Surface and Ground Water Resources to protect the long-term senior water rights of the Lexington Hills subdivision. SunCor's application will require 5cfs (10 total cfs) 365 days a year into the future. Add another 5cfs for the SunCor application No. 63-31966 that has already been approved for a grand total of 10 cfs.
 - a) Does this requirement for water have the potential for impacting the Lexington Hills subdivision's water supply in the future?
 - b) Does SunCor or IDWR have water studies that shows there is enough water in water area 63 where the SunCor wells will be extracting water to provide for the total 10 cfs without any impact now or in the future to the Lexington Hills subdivision's senior water rights?
 - c) As the demand for water increases in the future will there be enough water to meet the needs of the current users?
 - d) Will IDWR assure the citizens of the Lexington Hills subdivision that there is enough water in area 63 to supply the current users and SunCor's proposed development of 700 new homes plus an undetermined number (up to 14,000 in the foothills) of additional homes?
 - e) If the application is approved, how will IDWR and/or SunCor monitor the usage and depletion of the aquifers (Sandy Hill and Big Gulch) to ensure that the rights of senior water users are protected?
 - f) Who will pay for the monitoring?
 - g) How will SunCor mitigate any consumptive use issues in the future?
- 2) SunCor's application states: "The applicant proposes that this ground water is tributary to the Payette River instead of the Boise River." My understanding is that water area 63 is tributary to the Boise River.
 - a) What is IDWR's position on this statement?
 - b) If area 63 is considered tributary to the Boise River then this application could have significant impact on an already heavily utilized aquifer.
 - c) Who decides which tributary the ground water flows toward?
 - d) What basis was/will be used to make this determination?



SUNCOR/IDWR PREHEARING CONFERENCE

09/08/05

- 3) I also have questions that relate to the Idaho Administrative Code for the Department of Water Resources IDAPA 37.03.11 (Conjunctive Management of Surface and Ground Water Resources).
 - a) Under rule 010.10.01 Area Having A Common Ground Water Supply, can IDWR explain how this rule pertains to SunCor's application and its impact on current senior water rights holders?
 - b) Under rule 010.10.09 Ground Water Management Area, is IDWR contemplating defining area 63 as a ground water management area? I believe that area 63 should be considered as a unique ground water management area now.
 - c) Under rule 010.10.15 Mitigation Plans, what is SunCor's plan for mitigation and what would IDWR demand from SunCor to protect the senior water rights holders?
 - d) Under rule 010.10.18 Reasonable Ground Water Pumping Level, what is IDWR's plan to establish and enforce a reasonable level for SunCor's proposed extraction of water resource so the senior water rights holders are protected in the future?
 - e) Under rule 010.10.19 Reasonably Anticipated Average Rate Of Future Natural Recharge, what has IDWR done to establish the monitoring of the rate of annual recharge?

Issues and questions relating to the quality of water delivered to the Lexington Hills subdivision.

- 1) I have significant concerns about the arsenic levels in the Big Gulch area where the wells will be located.
 - a) Has there been any testing of the new wells that SunCor has drilled?
 - b) If so what do these tests show?
 - c) If these tests have not been completed, will IDWR require tests be completed before making a decision on the application?
 - d) What is IDWR's plan for requiring ongoing testing of water quality in the future?
 - e) How will IDWR guarantee through testing and monitoring that there will be NO future cross contamination of arsenic, mercury, or other heavy metals that may have migrated down slope into the Sandy Hill and Big Gulch/Willow Creek aquifers from the intensively mined area at Pearl?

SUNCOR/IDWR PREHEARING CONFERENCE

07/26/06

Protestant: Lyle K. Mullins

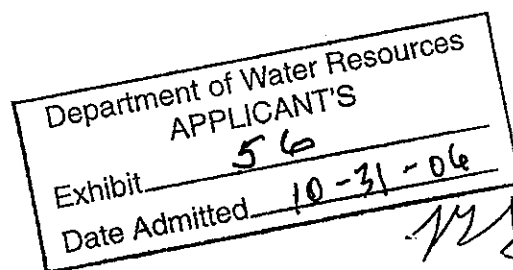
Issues and questions relating to SunCor ID, LLC's application No. 63-32061 for permit to appropriate the public waters of the State of Idaho:

General questions:

- 1) What is the status of SunCor's discussions with the IPUC regarding SunCor's delivery of water to Avimor as a "**municipal provider**"?
- 2) What is the status of SunCor's discussions with the IDEQ regarding SunCor's delivery of water to Avimor as a "**municipal provider**"?

Issues and questions relating to reduction of the quantity of water under the existing senior water rights of the Lexington Hills subdivision.

- 1) My primary concern as it relates to this "junior water rights" application is the absolute protection of the Lexington Hills subdivision's "senior water rights". I believe that it is the legal responsibility of IDWR under Idaho Administrative Code IDAPA 37.03.11 Conjunctive Management of Surface and Ground Water Resources to protect the long-term senior water rights of the Lexington Hills subdivision. SunCor's application will require 5cfs (10 total cfs) 365 days a year into the future. Add another 5cfs for the SunCor application No. 63-31966 that has already been approved for a grand total of 10 cfs.
 - a) Does this requirement for water have the potential for impacting the Lexington Hills subdivision's water supply in the future?
 - b) Does SunCor or IDWR have water studies that shows there is enough water in water area 63 where the SunCor wells will be extracting water to provide for the total 10 cfs without any impact now or in the future to the Lexington Hills subdivision's senior water rights?
 - c) As the demand for water increases in the future will there be enough water to meet the needs of the current users?
 - d) Will IDWR assure the citizens of the Lexington Hills subdivision that there is enough water in area 63 to supply the current users and SunCor's proposed development of 700 new homes plus an undetermined number (up to 14,000 in the foothills) of additional homes?
 - e) If the application is approved, how will IDWR and/or SunCor monitor the usage and depletion of the aquifers (Sandy Hill and Big Gulch) to ensure that the rights of senior water users are protected?
 - f) Who will pay for the monitoring?
 - g) How will SunCor mitigate any consumptive use issues in the future?



SUNCOR/IDWR PREHEARING CONFERENCE

07/26/06

- 2) SunCor's application states: "The applicant proposes that this ground water is tributary to the Payette River instead of the Boise River." My understanding is that water area 63 is tributary to the Boise River.
 - a) What is IDWR's position on this statement?
 - b) If area 63 is considered tributary to the Boise River then this application could have significant impact on an already heavily utilized aquifer.
 - c) Who decides which tributary the ground water flows toward?
 - d) What basis was/will be used to make this determination?
- 3) I also have questions that relate to the Idaho Administrative Code for the Department of Water Resources IDAPA 37.03.11 (Conjunctive Management of Surface and Ground Water Resources).
 - a) Under rule 010.10.01 Area Having A Common Ground Water Supply, can IDWR explain how this rule pertains to SunCor's application and its impact on current senior water rights holders?
 - b) Under rule 010.10.09 Ground Water Management Area, is IDWR contemplating defining area 63 as a ground water management area? I believe that area 63 should be considered as a unique ground water management area now.
 - c) Under rule 010.10.15 Mitigation Plans, what is SunCor's plan for mitigation and what would IDWR demand from SunCor to protect the senior water rights holders?
 - d) Under rule 010.10.18 Reasonable Ground Water Pumping Level, what is IDWR's plan to establish and enforce a reasonable level for SunCor's proposed extraction of water resource so the senior water rights holders are protected in the future?
 - e) Under rule 010.10.19 Reasonably Anticipated Average Rate Of Future Natural Recharge, what has IDWR done to establish the monitoring of the rate of annual recharge?

Issues and questions relating to the quality of water delivered to the Lexington Hills subdivision.

- 1) I have significant concerns about the arsenic levels in the Big Gulch area where the wells will be located.
 - a) Has there been any testing of the new wells that SunCor has drilled?
 - b) If so what do these tests show?
 - c) If these tests have not been completed, will IDWR require tests be completed before making a decision on the application?
 - d) What is IDWR's plan for requiring ongoing testing of water quality in the future?
 - e) How will IDWR guarantee through testing and monitoring that there will be NO future cross contamination of arsenic, mercury, or other heavy metals

SUNCOR/IDWR PREHEARING CONFERENCE

07/26/06

that may have migrated down slope into the Sandy Hill and Big Gulch/Willow Creek aquifers from the intensively mined area at Pearl?

Document and information requests:

- 1) Copies of all formal and informal correspondence (including email) between SunCor and any Idaho state government agency (IDWR, IDEQ, IPUC, Idaho State Senators and Representatives) relating to SunCor ID, LLC's application No. 63-32061 for permit to appropriate the public waters of the State of Idaho.
- 2) Copies of all formal and informal correspondence (including email) between any Idaho state government agency (IDWR, IDEQ, IPUC, Idaho State Senators and Representatives) and SunCor relating to SunCor ID, LLC's application No. 63-32061 for permit to appropriate the public waters of the State of Idaho.

Protest to Water Application 63-32061 23 May 2005 pg. 1

On 25 January, 2005, Suncor Idaho LLC applied to the Idaho Dept. of Water Resources to appropriate 5 cfs of aquifer water from 6 wells spread along 5 miles of Big Gulch in Ada County North of Eagle. Suncor plans use of this water in a proposed 9 square mile planned community near State Highway 55. The application also proposes possible aquifer recharge, and mitigation of consumptive use as needed. This application was identified as application 63-32061 in an Idaho Statesman legal notice on 5 May 2005.

I protest this application as the property owner at SW S25 T5N R1W in Ada Co. less than two miles from several of the proposed wells. Exercise of the approved application will have the following impacts:

- (1) reduce quantity of water under my existing water rights,
- (2) supply insufficient water for the proposed purpose,
- (3) conflict with the local public interest,
- (4) adversely affect the local economy of the watershed and local area

However, the proposed planned community could be a benefit to the public, a more beneficial use of the foothills than uncoordinated growth, a better alternative to development of the valley's productive agricultural land, and a model for the foreseen future development in this area and other rural foothill areas of Idaho. Therefore I believe the application should be approved with changes and constraints on the exercise of the water right and should be coordinated with establishment of a general policy by Ada County and the City of Eagle and the North Ada County Foothills Association (Chairman John Petrovsky at 571-1069).

Impact 1

The proposed wells will reduce the quantity of water under my existing water rights by contributing to lower water levels in my well and eventual expensive deepening of my well. The aquifer extent and dynamic characteristics like recharge rate and percolation flow are generally unknown as users and government agencies have not monitored effects of water use. Known is that:

- the aquifer lies in permeable deposited layers of sand and clay and should connect my and Suncor's proposed wells.
- there is a lack of water and poor well recovery in the Eagle Road area near Little Gulch less than two miles from 3 of the planned wells,
- early agricultural irrigation greatly raised the well aquifer levels in the valley (BSU Geological reports),
- the aquifer can only be recharged by the Boise River drainage, especially by the agricultural irrigation canals. And in my families memory there has not been significant water in Big Gulch and insufficient water Willow Creek to support this flow,
- all nearby residents pump water from the aquifer (personal or municipal),
- many residents pay for ditch water which pays for aquifer recharge, and
- all nearby residents North of the Farmers Union Ditch must pump water from the aquifer for irrigation.

Therefore Suncor's and future additional wells can only lower the existing well levels and contribute to eventual loss of my well. If existing wells are impacted by the new Suncor and later water users, then they must mitigate that impact with more effect than implied by the applications casual statement on aquifer recharge and mitigation of consumptive use. I see the impact mitigation in three areas:

- existing well owners are reimbursed for additional well drilling caused by lowering of the water levels or otherwise be provided water without expensive litigation. This requires a defined procedure to share costs among junior water users and monitoring of well levels.
- holders of new and even older water rights must explicitly recharge of the aquifer by purchase

Department of Water Resources
APPLICANT'S
Exhibit <u>57</u>
Date Admitted <u>10-31-06</u>

DAN

Protest to Water Application 63-32061 23 May 2005 pg. 3

provided by a municipal water company with wells initially in the valley areas which already have aquifer recharge from irrigation. There is Eagle water within 7 miles, less distance that this water must be piped from the proposed wells. I would expect the Suncor wells would eventually be sold to a municipal water company anyway.

A second issue is the the irrigation for the planned community must not be allowed to use potable water from the proposed wells for irrigation. With the areas limited water supplies such potable well water must be preserved by the Dept. to support the extensive future population growth foreseen in this valley. An alternate source of river water and gray water must be planned by Suncor to support irrigation. Bob Taunton of Suncor recently urged specific water conservation practices in a column in the Statesman but did not identify such plans with this application. I urge the Dept. to explicitly prohibit or phase out irrigation from the Suncor wells in any permit approval. Access by Suncor or future developers to irrigation water would require the Dept. and other government agencies to initiate planning and negotiation of a common reduction of present water usage rights to allow adding new users to the fixed supply of irrigation water.

Proposal

For this application I urge the Department of Water Resources to:

- disapprove the wells if a municipal water company can provide the water.
- approve only with explicit requirements to mitigate and share well impact costs,
- approve only with explicit requirements to periodically monitor well levels, and
- approve only with explicit requirements to implement a recharge method at a future time or condition.
- approve only with explicit requirements prohibiting or phasing out irrigation from the Suncor wells

For future applications in these foothills I urge the Department of Water Resources to add the same restrictions to any approvals.

I urge the Dept. to add budget and/or support other agencies to identify other monitoring wells and implement monitoring to establish possible well water levels, water quality impacts and aid in establishing aquifer characteristics.

I also urge the Dept., after valley water adjudication is complete and in coordination with government planning agencies, to initiate planning and negotiation of a common reduction of present water usage rights to allow adding new users and sources for aquifer recharge. Such agreements are nearly impossible to negotiate but are the only choice for future growth.

Finally I urge the Dept. to contribute to a general policy for foothill planning with Ada County and the City of Eagle and the North Ada County Foothills Association (Chairman John Petrovsky at 571-1069).

Philip Fry
4122 Homer Rd.
Eagle ID, 83616
ph. 208-939-9267, e-mail - idphil@earthlink.net

**SPF**

Water Engineering, LLC
water resource consultants

RECEIVED

MAR 07 2005

WATER RESOURCES
WESTERN REGION

March 3, 2005

Steve Lester
Idaho Department of Water Resources
2735 Airport Way
Boise, ID 83705

Department of Water Resources	
APPLICANTS	
Exhibit	50
Date Admitted	10-31-06

DAN

Subject: Application for Permit No. 63-32061- SunCor Idaho, LLC

Dear Steve:

This letter is a response to the five bullet points listed in your letter of February 18, 2005.

1. Thanks for catching our error on the point of diversion description. You are correct. The point of diversion should be described as the SWNE of Section 23 rather than the SENE of Section 23. I'll come in to the office and make the change.
2. I have enclosed a signed "Request to Process" form.
3. With regard to groundwater flow direction, I have enclosed a contour map of groundwater levels that we prepared based on water levels in wells in the area between Eagle and Pearl (Figure 1). Of our six proposed diversion points shown on the contour map, the four northernmost points are clearly tributary to the Payette River. The two southernmost points of diversion (in Section 23) are more likely tributary to the Payette River than the Boise River, but the data are not adequate to say with absolute certainty.
4. We anticipate that the water proposed for appropriation will be available from the aquifer on a sustainable basis. Under a highest use scenario (continuous pumping of 5 cfs, 24 hours per day, 365 days per year), the total volume pumped under the permit could be 3,620 acre feet per year. The basin area tributary to the aquifers proposed for appropriation appears to be the Willow Creek drainage above Highway 16, and the Big Gulch and Little Gulch drainages north of the boundary between townships 4 North and 5 North. Total annual precipitation in this area is approximately 70,000 acre feet (Figure 2). If we assume that 5 percent of the annual precipitation within this area is available for groundwater recharge, the precipitation will supply 3,500 acre feet to the aquifer annually. Recharge will occur as direct infiltration of precipitation on lands above the aquifer, leakage from the stream beds of Willow Creek, Big Gulch, leakage from the reservoir on Willow Creek, and from the tributary basin to the north.

add'l H info
for 2/28/05
m3gk-wj

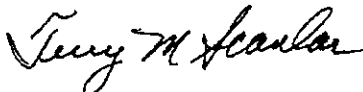
Other potential sources of recharge to the aquifer are leakage from the Farmers Union Canal to the south and the Black Canyon Canal to the northeast. Both canals are perched above the water table, so we assume that they leak and provide significant recharge to this area. The bottoms of both canals are 50 to 100 feet above the water table, so additional groundwater pumping will not induce additional losses.

The groundwater contours demonstrate that recharge that reaches the aquifer cannot flow south toward the Boise Valley. As a result, recharge from the upland areas in the Willow Creek drainage is captured by the aquifer beneath Willow Creek and Big Gulch, with discharge northwesterly toward the Payette River Valley.

Addition information that indicates that groundwater is available for appropriation in this area is water-level monitoring at the Lynn Ranch along Willow Creek between Highway 16 and the confluence of the North Fork and South Fork Willow Creek. Water levels have been monitored at the Lynn Ranch (T5N, R1W, Section 3) since 1993 with no evidence of water level decline (Table 1).

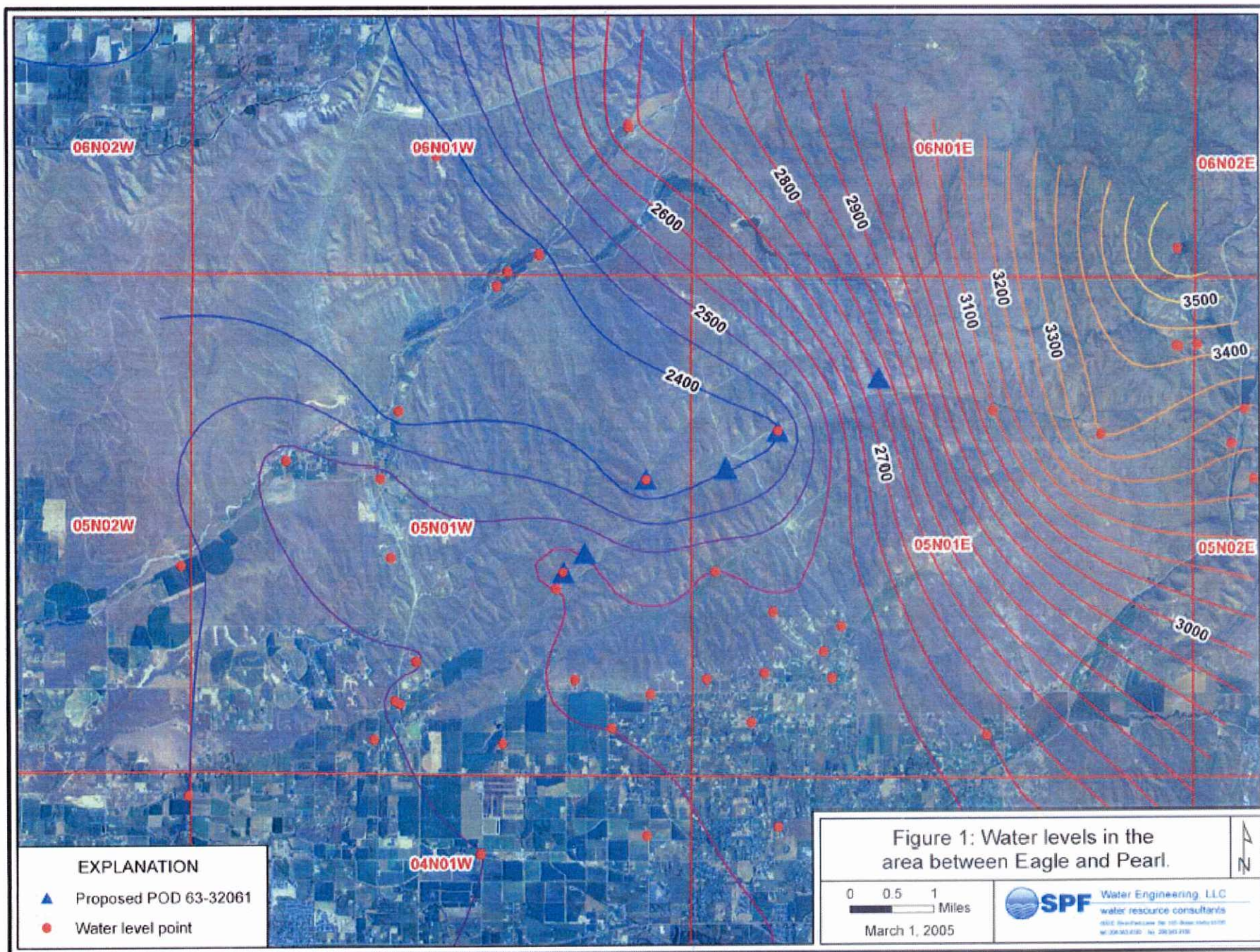
5. With regard to methods to avoid injury to other water rights, we believe that water-level monitoring is the most appropriate action. SunCor has existing test wells in the area that can be utilized for monitoring purposes. Note that there are essentially no existing wells or groundwater rights in the near vicinity of the proposed points of diversion, except for stockwater wells associated with Spring Valley Ranch. As a result, direct well interference should not be an issue. However, water-level monitoring is appropriate to ensure that long-term water-level decline is not occurring under the proposed permit or future permits.

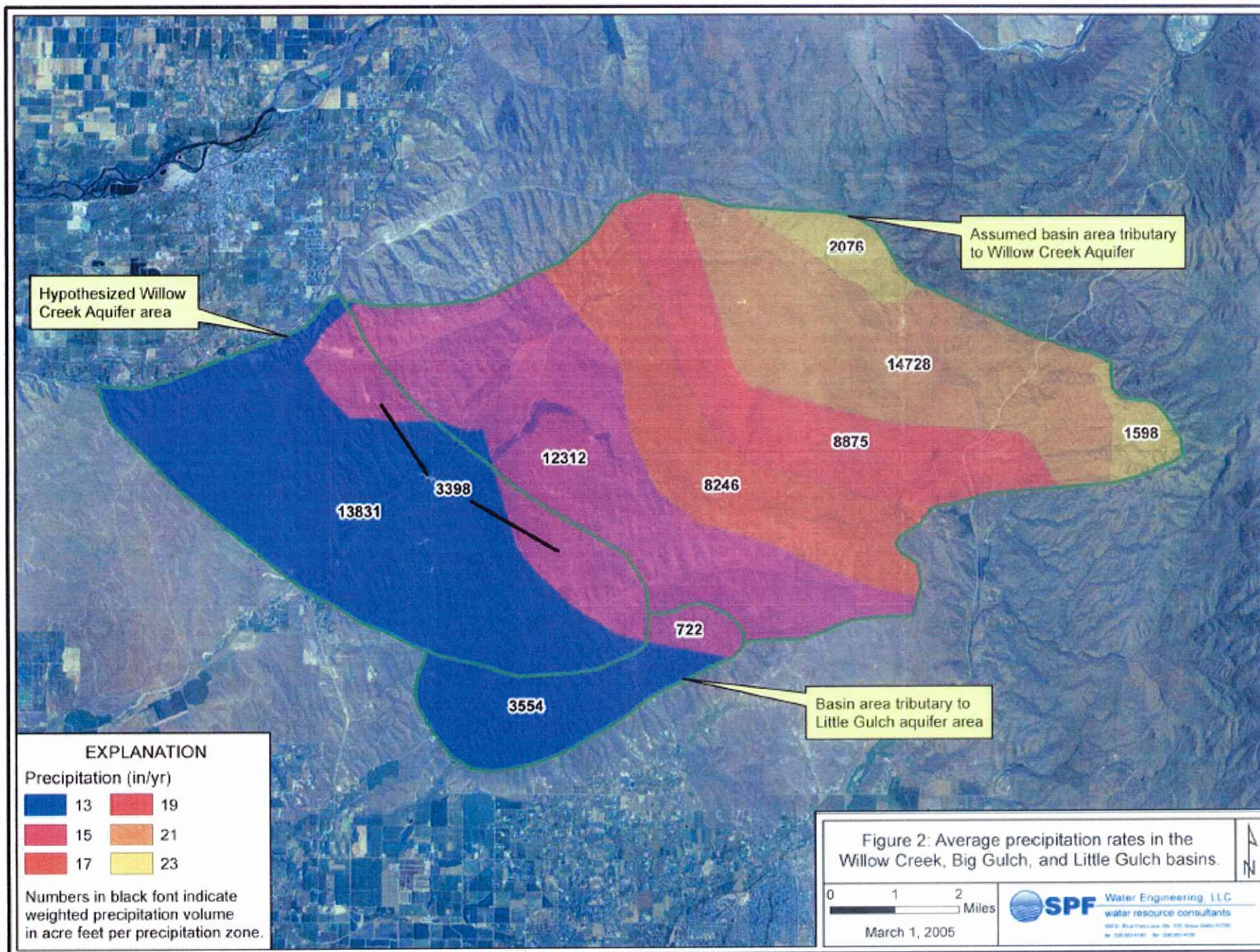
Sincerely,



Terry M. Scanlan, P.E.

Cc: Bob Taunton – SunCor Idaho, LLC
Al Barker – Barker Rosholt Simpson



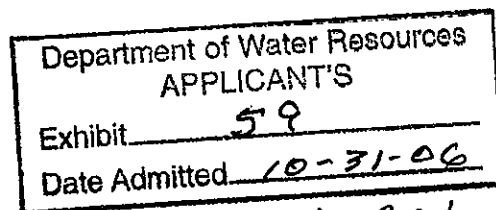


Section B – Specific Plan

13. Design Guidelines

(Note: This section of the Avimor Specific Plan constitutes the Development Standards and Design Guidelines for the Avimor Planned Community in accordance with the "Design Standards" column of Exhibit 1, Land Use Design and Development Standards Matrix of the Avimor Zoning Ordinance)

- A. Green Standards
- B. Water Conservation
- C. Energy Conservation
- D. Site Design
- E. Grading & Drainage
- F. Architecture
- G. Landscape
- H. Fences & Walls
- I. Lighting
- J. Signage
- K. Wildlife



Avimor Design Guideline (DG) Figures, Tables and Illustrations

FIGURES		
NUMBER	TITLE	LOCATION
DG - 1	Conceptual Grading Methods	Following page 12
DG -2	Conceptual Lot Building Envelopes	Following page 12
DG -3	Conceptual Landform Lot Grading	Following page 12
DG -4	Conceptual Grade Adaptive Lot Design	Following page 13
DG -5	Conceptual Grade Adaptive Housing	Following page 13
DG -6	Housing Type Illustration	Following page 16
DG -7	Conceptual 45 foot lot series Elevations	Following page 16
DG -8	Conceptual 60 foot lot series Elevations	Following page 16
DG -9	Conceptual 75 foot lot series Elevations	Following page 16
DG -10	Conceptual 90 foot lot series Elevations	Following page 16

TABLES		
NUMBER	TITLE	LOCATION
DG -1	Waterwise Landscape Palette	Following page 31

ILLUSTRATIONS		
NUMBER	TITLE	LOCATION
A	Cut and Fill	Page 10
B	Retaining Walls	Page 11
C	Building Setting	Page 14
D	Garage Setback	Page 15
E	Massing (Production)	Page 17
F	Site Design	Page 18
G	Mountain Contemporary	Page 19
H	Setbacks and Entries	Page 20
I	Massing (Village Center)	Page 21
J	Not Used	Not Used
K	Building Setback	Page 23
L	Building Frontage	Page 23
M	Building Entrance	Page 25
N	Awnings	Page 26
O	Building Façade & Screening	Page 26
P	Avimor Drive Street Section	Page 27
Q	Curb Extensions	Page 28
R	Off Street Parking	Page 29
S	Street Trees	Page 30
T	Site Lighting	Page 33
U	Building Signage	Page 35
V	Monument Sign	Page 35

13. DESIGN GUIDELINES

The development of the Avimor Planned Community will be based on Development Standards and Design Guidelines. The following Sections outline those Standards and Guidelines, which are incorporated into the Avimor Zoning Ordinance by reference. It is anticipated that the Standards and Guidelines will be amended from time to time. Each such amendment will be incorporated into the Avimor Specific Plan and by reference, into the Avimor Zoning Ordinance.

The Development Standards and Design Guidelines will be administered by the Avimor Design Review Committee and applied to all residential, non-residential and mixed-use development proposals within the Avimor Planned Community. The Avimor Design Review Committee will be responsible to review and approve all land use proposals prior to submittal of any application to Ada County, including all commercial, public uses, retail, professional and residential development (including multi-family and bed and breakfasts). The review and approval process shall be performed as outlined by the Avimor Community Charter and the Avimor Design Review Procedure form, both of which are separate community governance documents and subject to revision from time to time.

A. Green Standards

Sustainability objectives for the Avimor Planned Community will be realized through the formulation of "green" development and building strategies within each of the following areas:

1. Respect for the Natural Environment by:
 - a. Incorporating native vegetation into the community's landscape design which extends the natural setting into the community.
 - b. Preserving existing vegetation and wildlife habitat, where possible.
2. Conservation of Natural Resources by:
 - a. Reducing water use.
 - b. Reducing energy use.

- c. Reducing and reusing storm water runoff.
- 3. Creation of a Sustainable Built Environment by:
 - a. Incorporating day lighting and the natural ventilation into interior spaces.
 - b. Utilizing environmentally-sensitive building materials, where possible.
 - c. Recycling construction waste and provide recycling and sorting systems in homes and offices, subject to available markets for recycled materials.
- 4. Encouragement for the use of multi-modal transportation by:
 - a. Creating a walkable environment and provide live/work opportunities.
 - b. Encouraging bicycle use through bicycle lanes, parking and showers and lockers in work places.
 - c. Encouraging vanpooling and providing space for park and ride lots.

B. Water Conservation

Residential water consumption will be reduced by a minimum of thirty percent (30%) under typical indoor and outdoor usage.

- 1. Implement water conservation practices in all buildings.
 - a. Install low water use plumbing fixtures in all homes and non-residential buildings.
 - b. Install recirculating pumps for hot water delivery.
 - c. Offer low water use appliances as options to homebuyers.
- 2. Encourage water conservation by residents and businesses.
 - a. Establish water rates, subject to IPUC approval, which encourage conservation, and meter all treated-water usage.

- b. Create education materials to inform residents and other property owners or users of the landscape vision for Avimor, landscape approval process, water conservation practices and xeriscape principles.
- 3. Reduce the use of potable water for irrigation.
 - a. Reuse treated effluent from wastewater treatment plant for common area irrigation and aquifer recharge, subject to DEQ and other public agency approval.
 - b. Create opportunities to harvest rainwater for landscape irrigation from roadways, parking areas and structures.
- 4. Conserve water through landscape requirements.
 - a. Limit landscaping to primarily low water use or xeric plant material, and enforce through covenants, deed restrictions and permitted plant lists.
 - b. Limit use of turf in private yard landscaping, non-residential parcels, and common areas and enforce through covenants or deed restrictions.
 - c. Revegetate disturbed areas with native plant material, and irrigate with temporary irrigation only.
 - d. Use native or fescue grasses for turf areas, depending on use.
 - e. Require drip irrigation for all shrubs and trees and use soil amendments and ground-cover mulch in all improved planting beds.
 - f. Use centralized time-control systems linked to a weather station for common area landscaping.
 - g. Install front yard landscaping as part of the production home purchase and offer rear yard packages which reflect low water principles and approved plants.

C. Energy Conservation

Measurable reductions in energy consumption will be achieved through design, technology, materials and landscaping.

1. Achieve energy reductions in all buildings.
 - a. Implement Energy Star certification for homes constructed by SunCor, and encourage third party builders to adopt those principles.
 - b. Adopt appropriate LEED principles for non-residential buildings and over time progress to LEED certification.
 - c. Implement best practices for residential construction where appropriate, such as use of certified green lumber, engineering wood products, and recycled materials.
2. Take advantage of solar orientation and natural features.
 - a. Orient buildings along an east-west axis to maximize passive solar heating, where site conditions permit.
 - b. Use appropriate overhangs, porches and other architectural features to properly shade south facing walls from high summer sun.
 - c. Site homes and buildings in a manner which does not block low angle south winter sun from tall trees, hillsides and other structures.
3. Take advantage of existing landscape and utilize new landscape materials to reduce energy consumption.
 - a. Plant deciduous trees on east and west sides of structures to shade structures in summer and allow solar heating in winter.
 - b. Plant trees as windbreaks to mitigate winter winds.

- c. Plant trees along streets and in parking areas to reduce summer heating of hard surfaces.
- 4. Reduce energy consumption through recycling.
 - a. Recycle onsite building materials, subject to available markets and implement a household recycling program.
 - b. Use recycled materials for outdoor recreational facilities, such as benches, chairs, tables and play equipment.
 - c. Encourage the use of fly ash in concrete, subject to market conditions.
- 5. Reduce energy consumption through community design and education.
 - a. Reduce transportation energy consumption through provision of multi-modal transportation systems; creation of commercial, retail services; employment opportunities, including home-based employment; provision of schools, churches and recreational facilities; and generally planning compact community development with many connections.
 - b. Reduce energy consumption required for pumping, treatment and transmission of water through sound water conservation practices.
 - c. Evaluate and encourage selected Idaho Power energy conservation and green power programs.
 - d. Create educational materials to inform residents and other property owners or users of the energy reduction goals of the Avimor community and implementation practices.

D. Site Design

Avimor Planned Community site planning and development design will be responsive to the physical character of the land.

1. Cluster higher density villages, commercial buildings and improved recreation areas in flatter agriculturally disturbed valley locations.
2. Protect view corridors, major visual back-drops and highly visible major slopes by off-setting building envelopes in the foothills area.
3. Identify and protect sensitive natural areas especially riparian habitat corridors.
4. Design buildings outside of the main villages to fit the site, through use of building envelopes which minimize lot disturbance.
5. Protect riparian areas and steep slopes over 25-30 percent which serve as edges and transitional areas between villages and residential clusters.
6. Address geologic features and soils characteristics in the design of site improvements.
7. Front initial row of dwellings to Highway 55 to minimize highway noise impacts on outdoor living space at rear.

E. Grading and Drainage

Grading techniques will vary within the Avimor Planned Community. Village sites will be fully graded. Foothills residential areas will range from site limited grading within building envelopes to grade adaptive designs for houses that take up grade within the house (see Grading Methods, Figures DG -1, DG -2, and DG -3 and Grade Adaptive graphics, Figures DG - 4 and DG -5 which follow).

1. Apply erosion control techniques to all grading activities including silt fencing, drains, basins, or other appropriate actions, to protect drainage ways and streams.
2. Define grading areas in foothills by staking and fencing, and restore and revegetate disturbed non-building areas and areas adjacent to roadways as soon after completion as practical given seasonal conditions.
3. Avoid conventional cut and fill grading techniques that result in unnatural lot shapes and constant slopes. Follow the principles of

contour grading and land form grading to blend grading with the natural land form. Maximum slopes to be 2:1.

4. Remove and stockpile topsoil for use in landscaping, minimize wind and water erosion, and protect natural drainage ways and streams by silt-fencing or revegetation, as appropriate.
5. Use non-structural drainage facilities to the extent possible and practical, including grass swales, vegetated basins or other "natural" methods where feasible.
6. Use building envelopes with Foothills zones, and grade-adaptive structures and retaining walls to minimize slope disturbance. Retaining walls to be located within the envelope or house pad and not at the perimeter of the lot.
7. Designate building envelopes on plats, subject to the opportunity to adjust 10-20% in size and configuration when an individual grading and drainage plan is prepared for the lot.
8. Construct roadway fills in hillside areas with typical slopes of 3:1, where feasible, and a maximum of 2:1. Contour fill sections to mimic natural contours of the surrounding terrain and revegetate to blend with the adjacent, undisturbed slopes.
9. Limit grading in areas of soil instability or where geologic hazards exist.
10. Incorporate natural drainage ways and swales into site grading design.

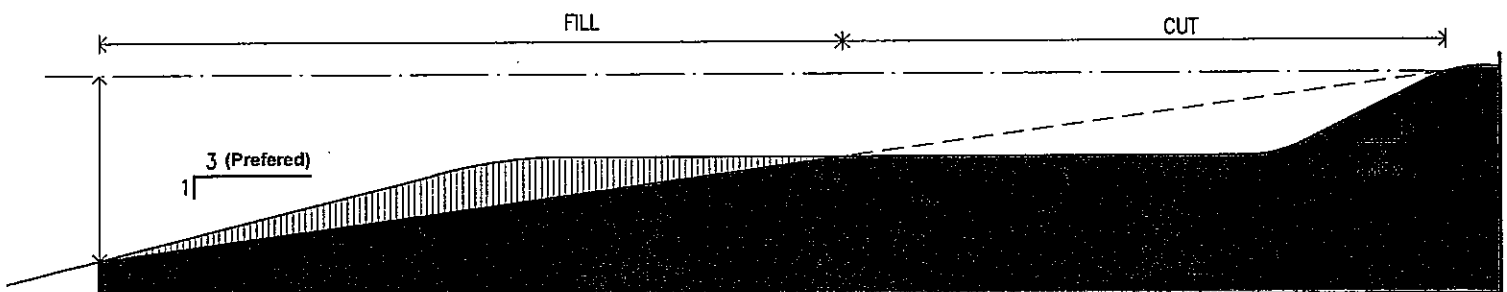


ILLUSTRATION A: CUT AND FILL

11. The maximum uninterrupted height of any retaining wall is 4'0" measured vertically from grade to top of wall at any point along the wall. If the walls must be broken into multiple walls they must be set apart by a minimum of 1 foot horizontal for every 1 foot vertical. This setback area between walls must be landscaped. The second retaining wall may not exceed 4'-0" in height. If the retaining condition coincides with a terrace site wall the total height must not exceed 6'0".

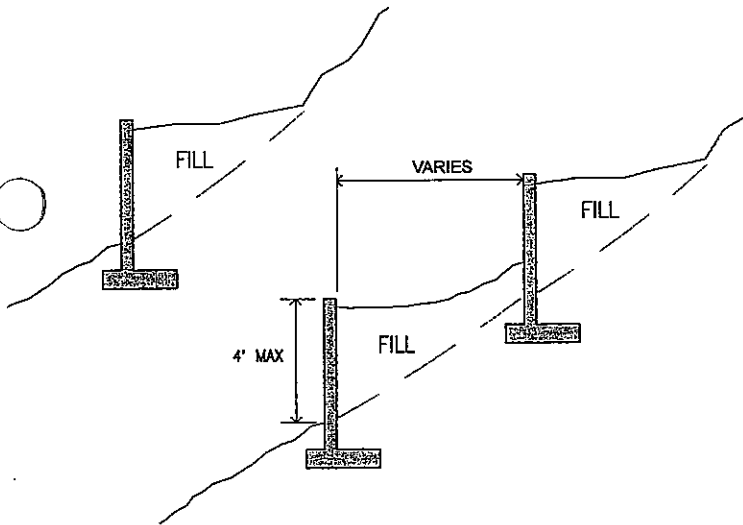
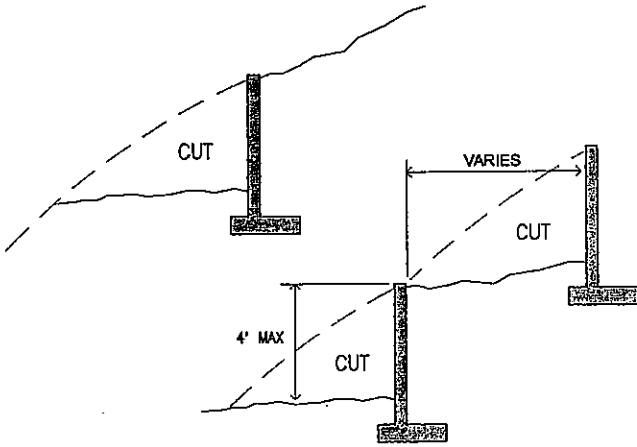
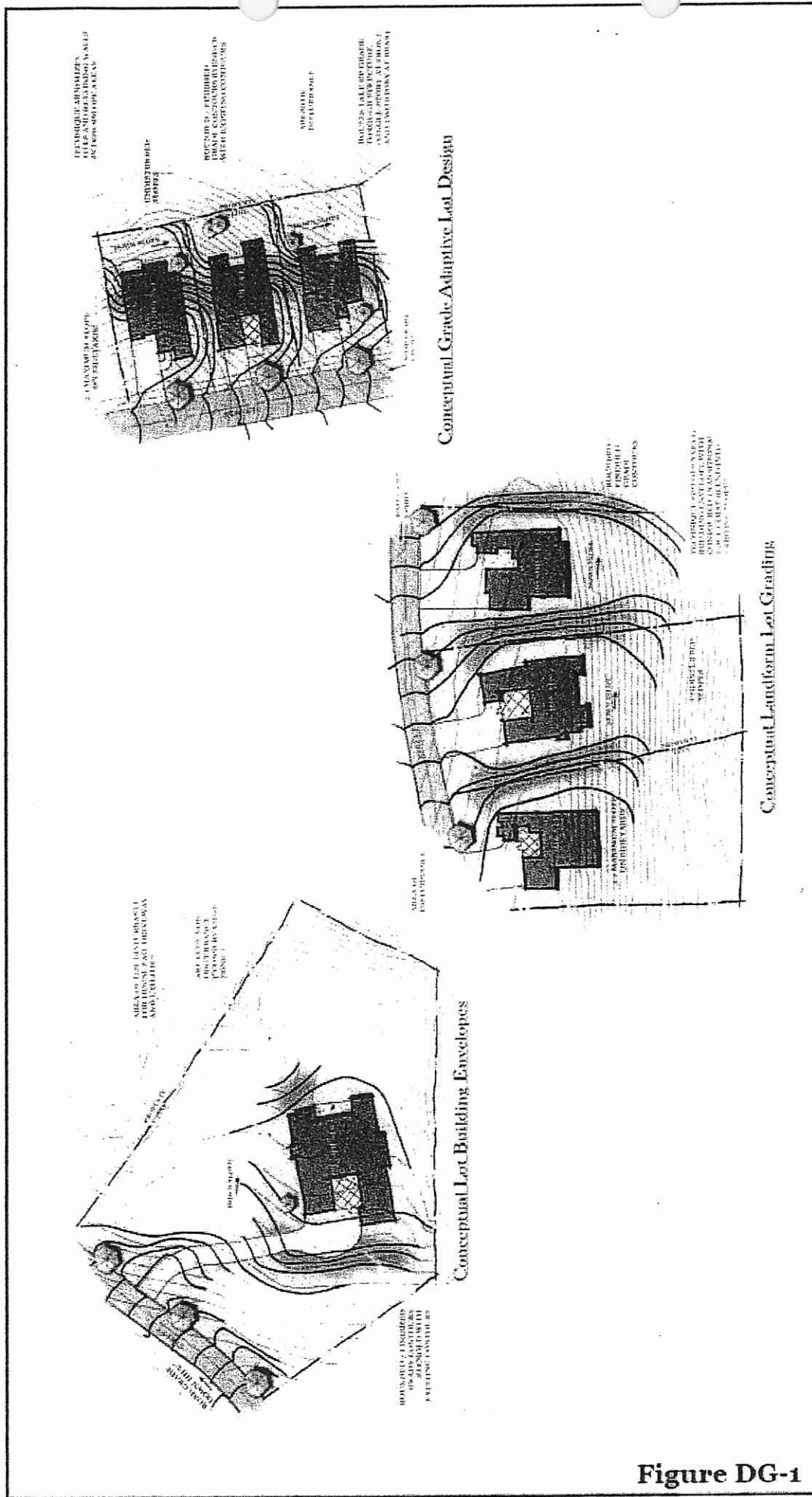


ILLUSTRATION - B: RETAINING WALLS

Insert Grading Methods graphics here



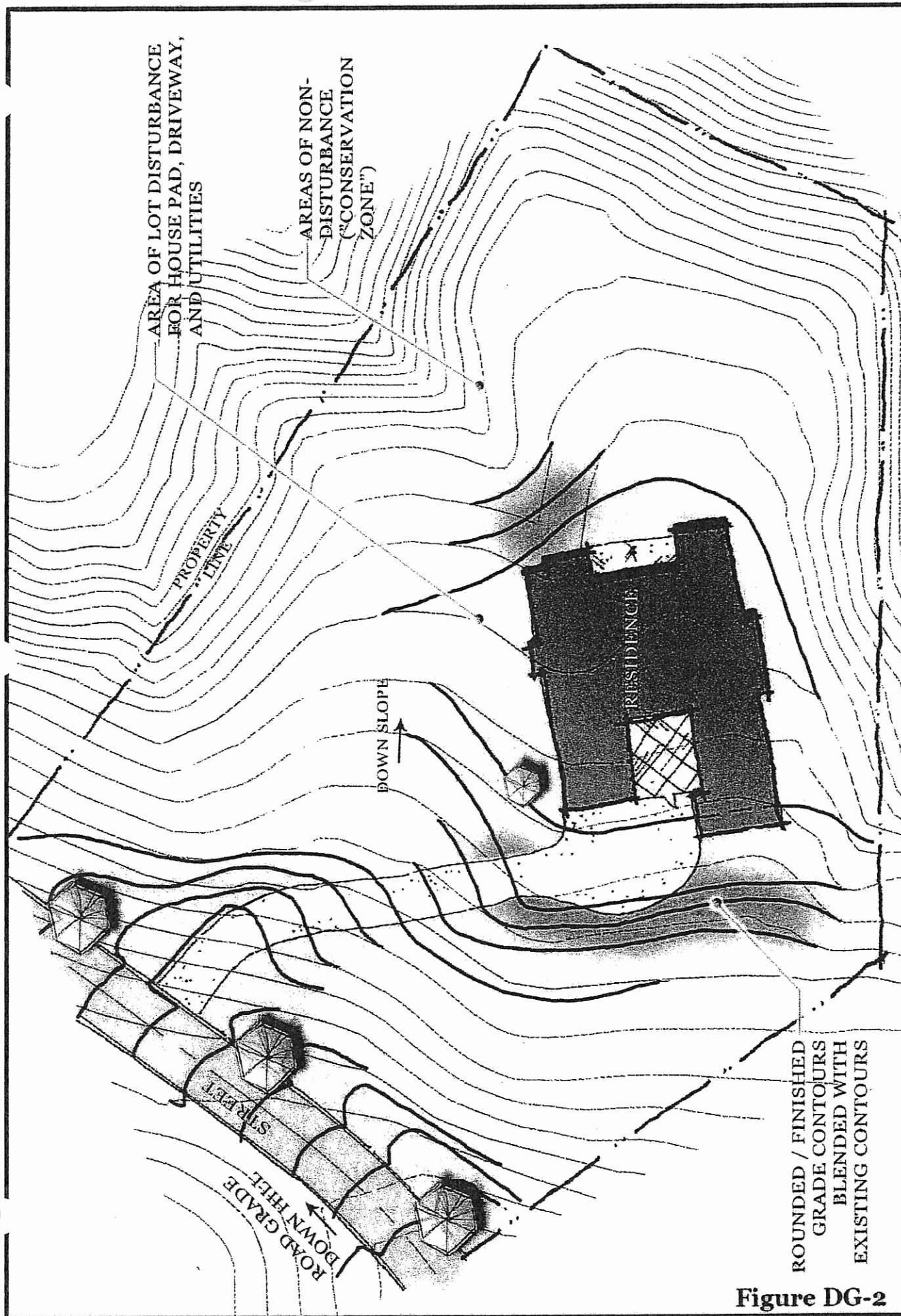


Figure DG-2

DATE: 19 October, 2005
NOT TO SCALE

W R G

DESIGN INC.

Conceptual Lot Building Envelopes



AVIMOR

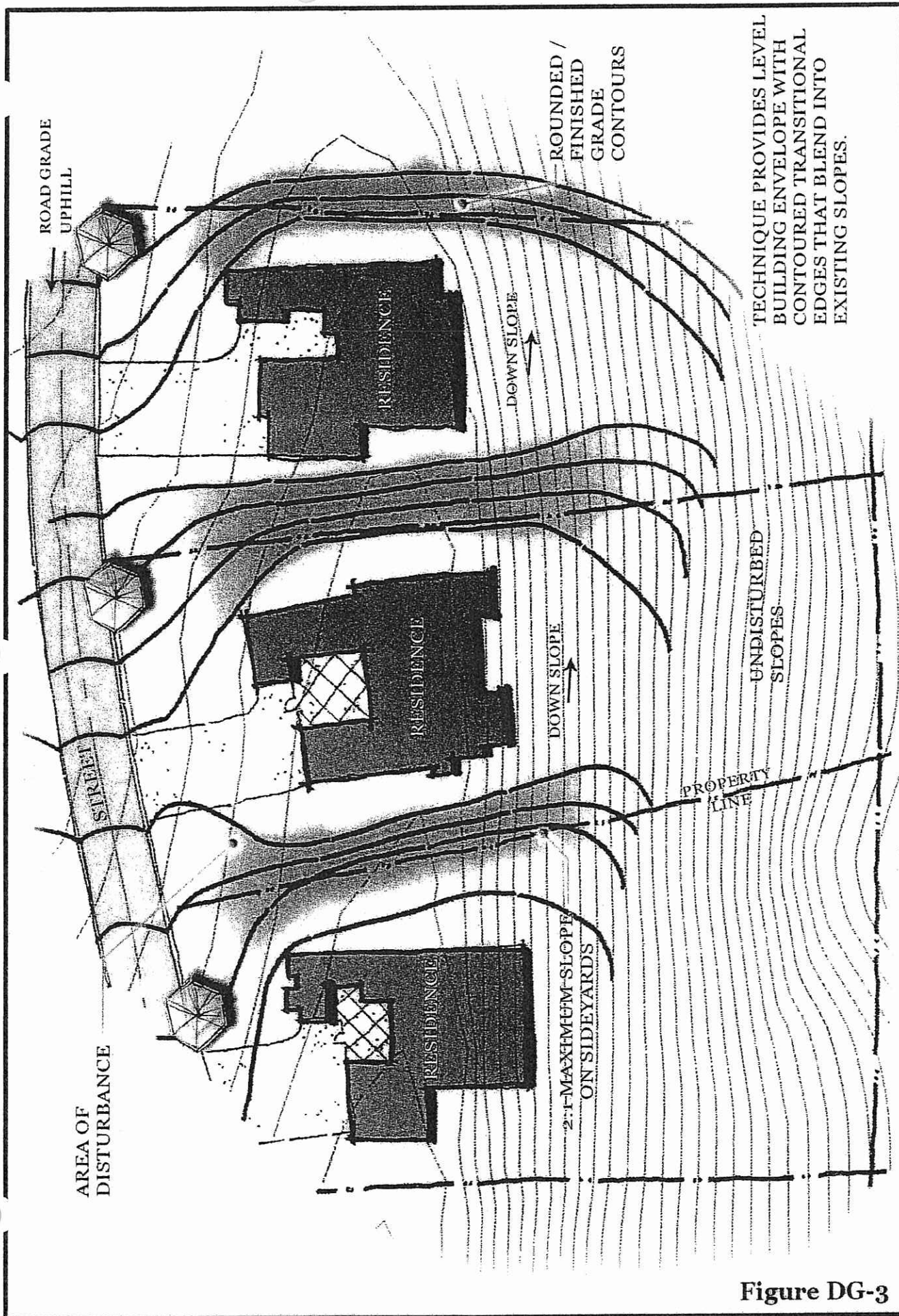


Figure DG-3

Conceptual Landform Lot Grading



AVIMOR

DATE: 19 October, 2005
NOT TO SCALE

W R G

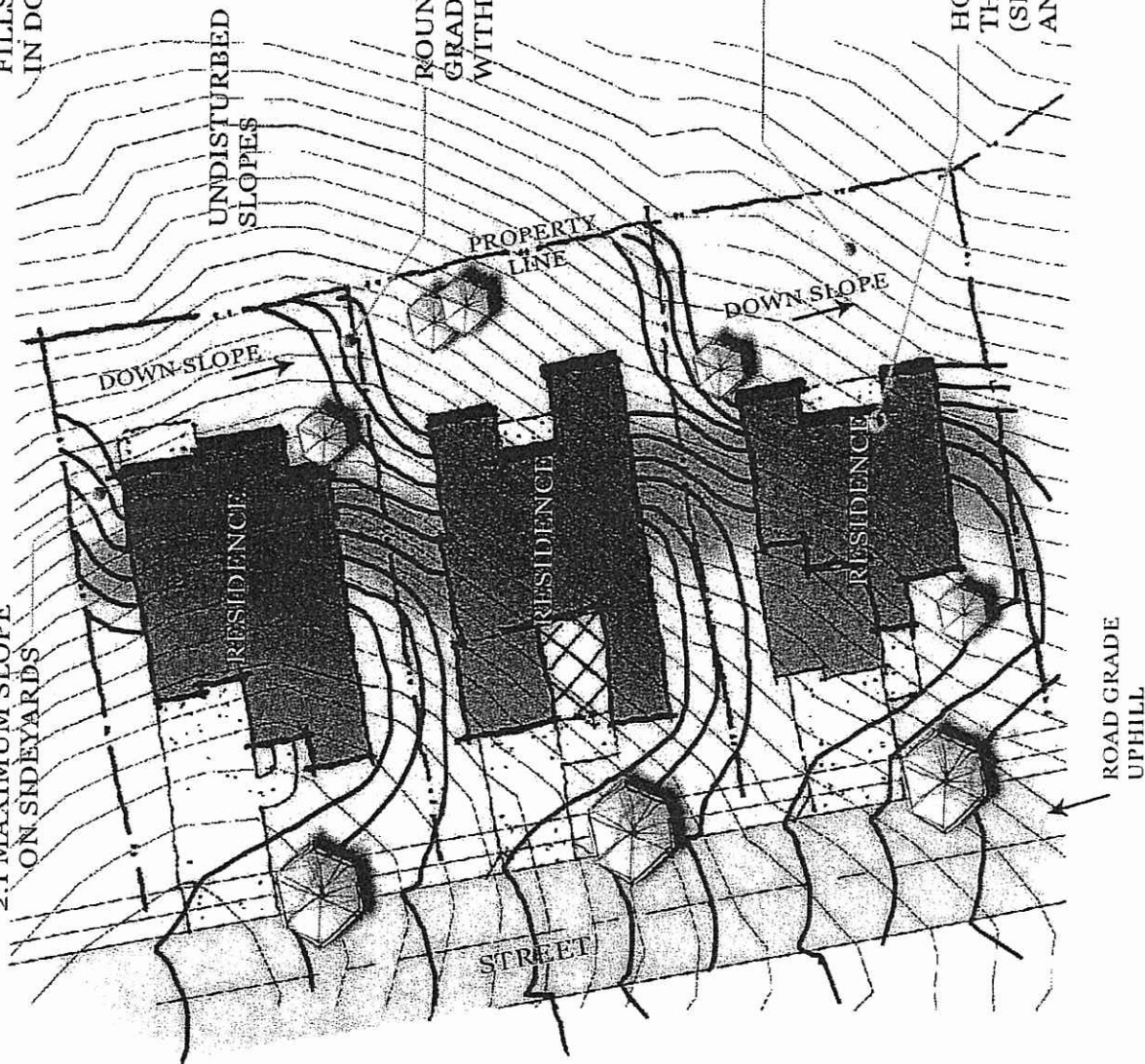
DESIGN INC.

Insert Grade Adaptive graphics here

Insert Grade Adaptive graphics here

TECHNIQUE MINIMIZES
FILLS AND RETAINING WALLS
IN DOWNSLOPE AREAS

2:1 MAXIMUM SLOPE
ON SIDEYARDS



ROUNDED / FINISHED
GRADE CONTOURS BLENDED
WITH EXISTING CONTOURS

AREAS OF
DISTURBANCE

HOUSES TAKE UP GRADE
THROUGH STRUCTURE.
(SINGLE-STORY AT FRONT
AND TWO STORY AT REAR)

ROAD GRADE
UPHILL

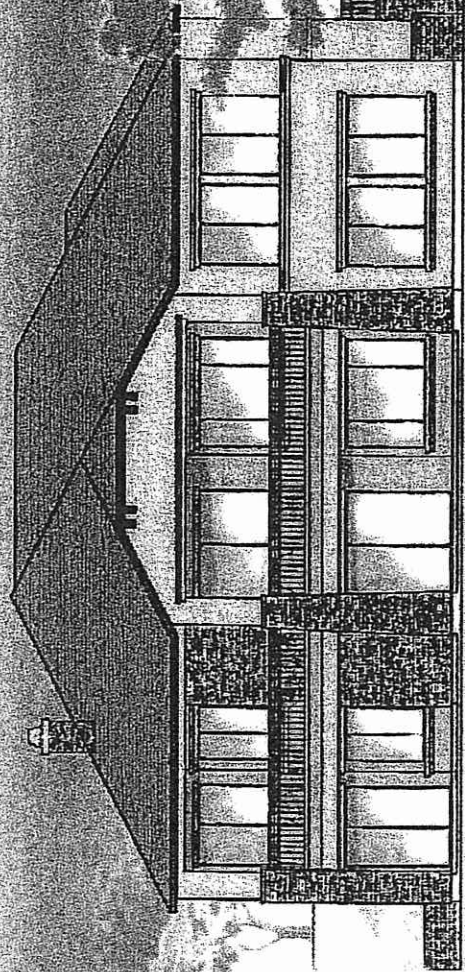
STREET

Conceptual Grade Adaptive Lot Design

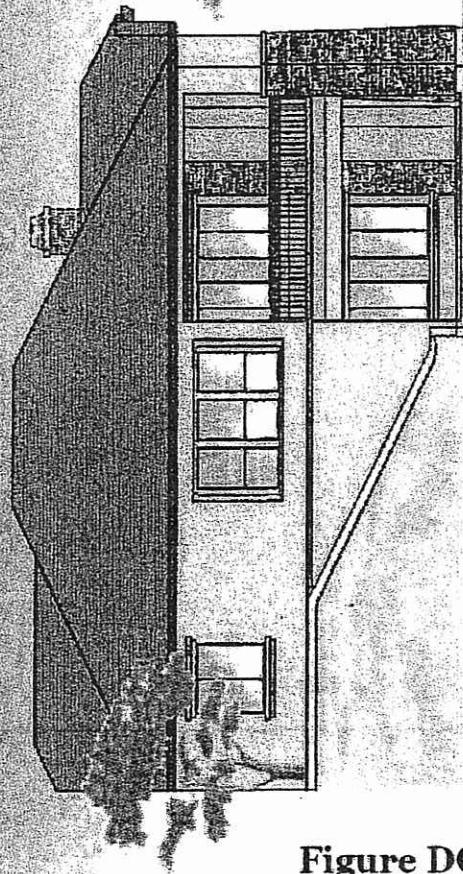
DATE: 19 October, 2005
NOT TO SCALE

W R G
DESIGN INC.

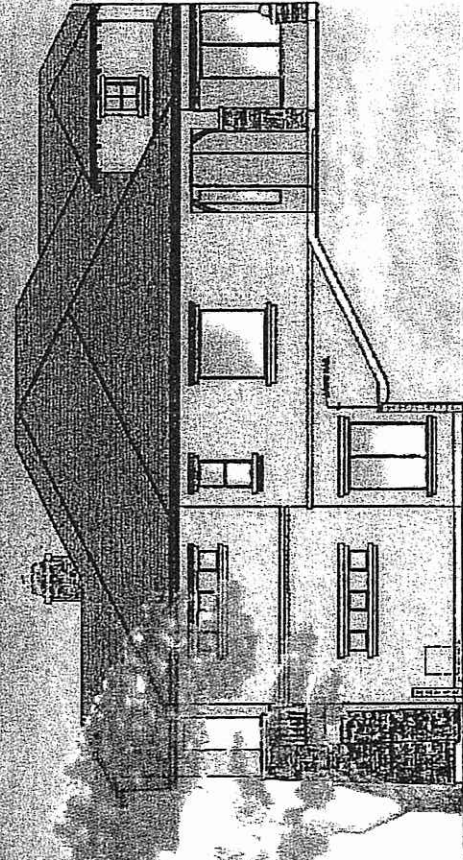
Figure DG-4



REAR ELEVATION



PARTIAL RIGHT ELEVATION



PARTIAL LEFT ELEVATION

Figure DG-5

F. Architecture

General Guidelines

The architectural character of Avimor will be as diverse as the history of Spring Valley Ranch and the surrounding community. Architectural design will be encouraged to account for the site, surrounding natural features, and indigenous materials. Architectural style may vary between the urban character of the villages and the foothills residential clusters.

Aside from visual benefits, architectural diversity fosters an inclusive resident population in age, gender, family composition, education and income. Adaptable plans and flexible standards meet the needs of a multi-generational consumer, adding richness to the community.

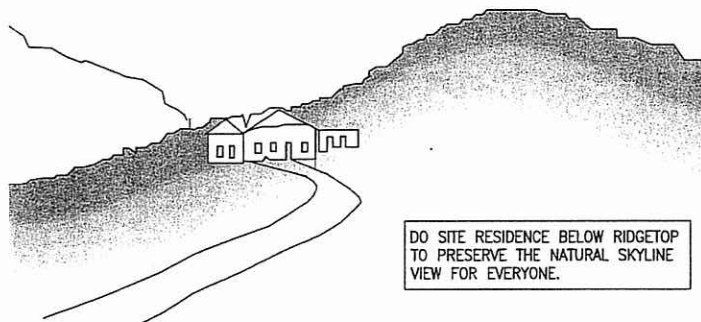
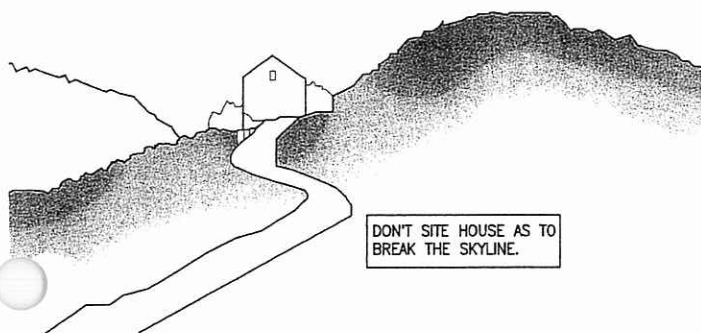


ILLUSTRATION - C: BUILDING SETTING

1. Building scale and height should be site-specific and should not dominate the natural elements of the site or surroundings.
2. Residential building height will be determined by the physical setting. Structures at the top of sloped landforms may be limited to one story unless grade-adapted (downhill portion may be two stories), whereas structures below slopes and ridges and in the valley, can be two stories.
3. Building orientation should take advantage of passive solar and cooling opportunities.
4. Mechanical equipment shall not be roof mounted and shall be appropriately screened. Satellite dishes will be mounted to the side of the home.
5. Solar panels shall be mounted in a fashion compatible with the residences architectural character, as determined by the Avimor Design Review Committee.
6. A varied color palette shall be used. Custom homes in a more natural setting shall reflect a muted earth tone color palette, and building materials and colors shall have a low light reflectance value. Custom home colors, including roofs, will be medium to dark. Production homes with a more urban setting may have a broader color range subject to

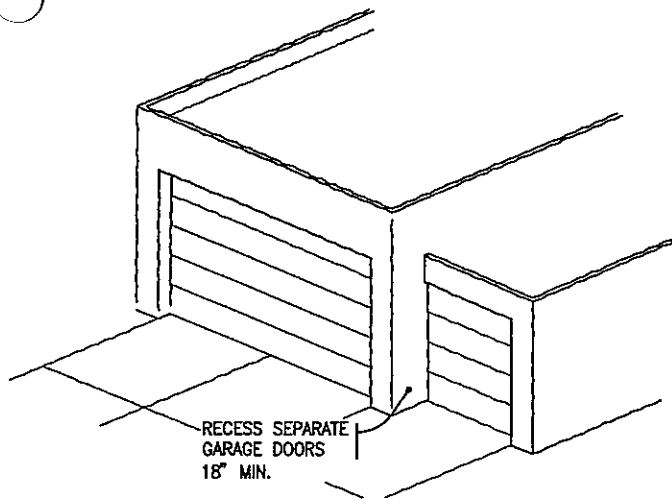


ILLUSTRATION - D: GARAGE SETBACK

- approval of the Avimor Design Review Committee.
7. Minimize impact of protruding front drive garages and garage doors facing the street. Alternatives include garage fronts recessed behind the primary facade line and side entry front garages.
8. Recess separate garage doors a minimum of 18" from the door closest to the street. Consider breaking larger garage door masses into smaller doors.
9. Select plans and elevations which enhance visually prominent lots e.g. at corners, across from parks, at street ends.
10. Porches and courtyards are encouraged to create activity facing streets. Consider railings on porches and low walls around courtyards.
11. House designs should offer optional work spaces for home office employment.
12. Houses with more than a two-bay garage should consider optional casitas or office space in a single bay. A separate exterior door is encouraged with these options. Split garage layouts are preferred.
13. Yard spaces adjacent to homes should be accessed from key living spaces to create outdoor rooms.
14. Rear two-story elevations on grade-adaptive lots require a higher quality of design than normal rear elevation. Roof lines and materials should be varied, and columns should be appropriately scaled.
15. Reduce Highway 55 noise impacts for homes close to the highway through the use of sound mitigation building materials, including dual-pane glazing; R-38 attic/ceiling insulation; 2x6 exterior or framing, which allows additional insulation; airtight walls; heavy solid-core or composite exterior doors; insulated and conditioned crawl spaces.
16. Recessing of doors and windows is encouraged to create depth and shadow-lines.

17. Options for accessory dwelling units should be developed where appropriate based on lot size and could include casitas, guest suites and granny flats. Detached units should be considered on larger lots meeting zoning requirements and shall be designed to visually relate to the main residence in massing, building materials and architectural character.
18. Approval by the Avimor Design Review Committee is required for use of a residential structure as a Bed & Breakfast facility. The structure must maintain the residential character of the neighborhood and shall be identified only by a wall-mounted sign of a size and character as specified by the Avimor Design Review Committee, which shall have the authority to enact, amend and enforce specific standards without the requirement to amend the Avimor Specific Plan.

Production Home Guidelines

Defined as predesigned homes to be constructed by the developer and are located as shown on the following Housing Type Illustration, Figure DG -6. Locations are general and subject to future design revisions and marketing decisions.

1. Architectural Themes

A diverse range of architectural themes is required and includes the following primary themes: English Country, Spanish Colonial, Traditional/Colonial, Prairie, Tuscan, and Craftsman. Other themes may be followed subject to review of the Avimor Design Review Committee. See accompanying Figures DG -7, DG -8, DG -9 and DG -10 for conceptual illustrations for lots ranging from 45 feet to 90 feet.

2. Plan Diversity and Elevations

Production housing shall exhibit architectural diversity including the following:

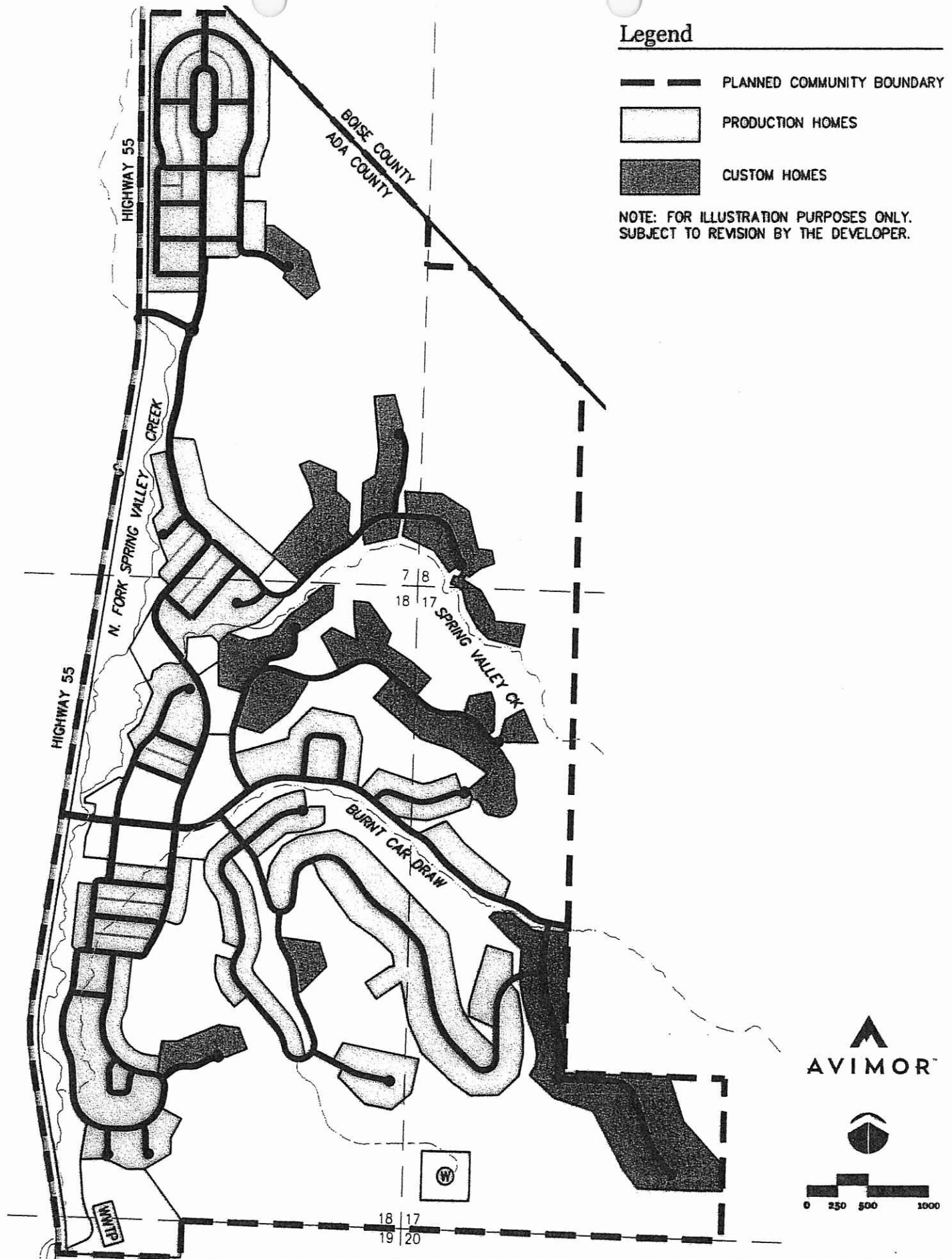
Legend

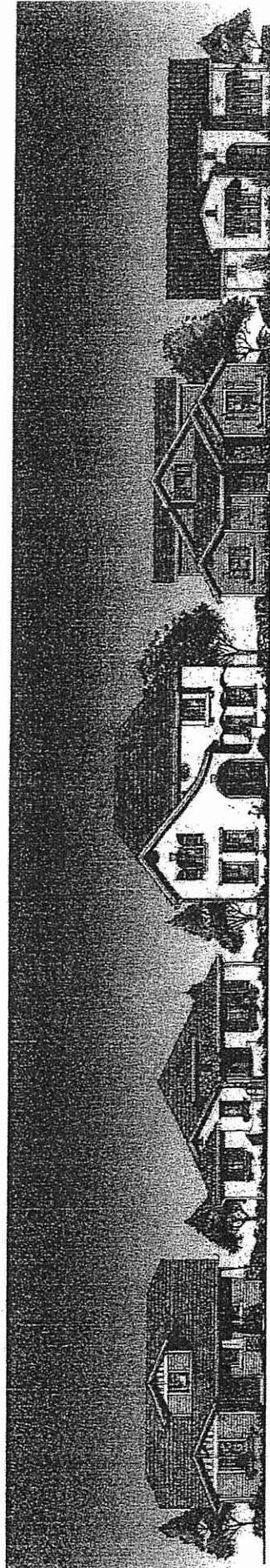
PLANNED COMMUNITY BOUNDARY

PRODUCTION HOMES

CUSTOM HOMES

NOTE: FOR ILLUSTRATION PURPOSES ONLY.
SUBJECT TO REVISION BY THE DEVELOPER.





Plan 2

Craftsman

Plan 4

Country English

Plan 6

English w/County
French Influence

Plan 5

Colonial

Plan 3

Spanish Colonial

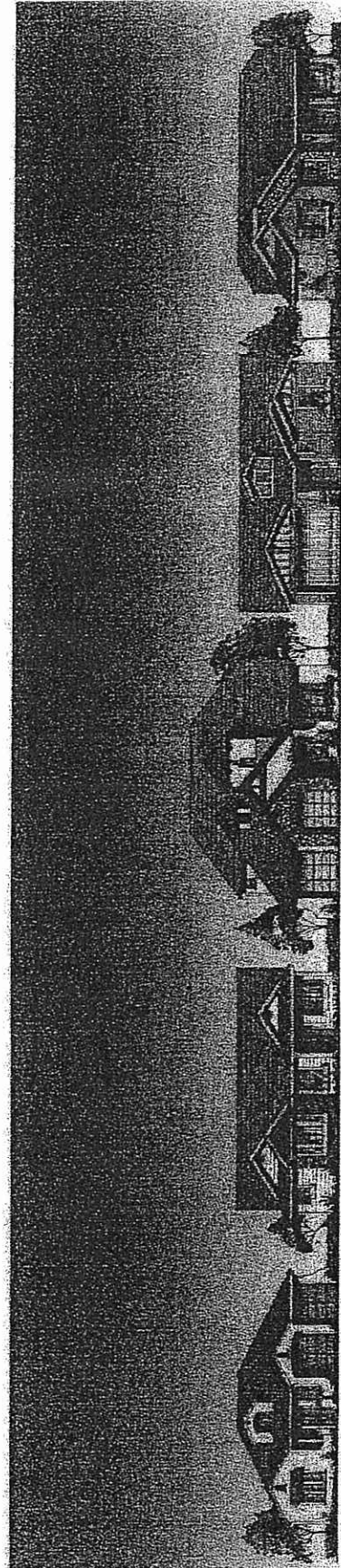
Avimor

Ada County, Idaho

45 Foot Lot Series

Conceptual Elevations

Figure DG-7



Plan 3

Spanish Colonial

Plan 1

Colonial

Plan 4

Country English

Plan 2

Craftsman

Plan 1

English

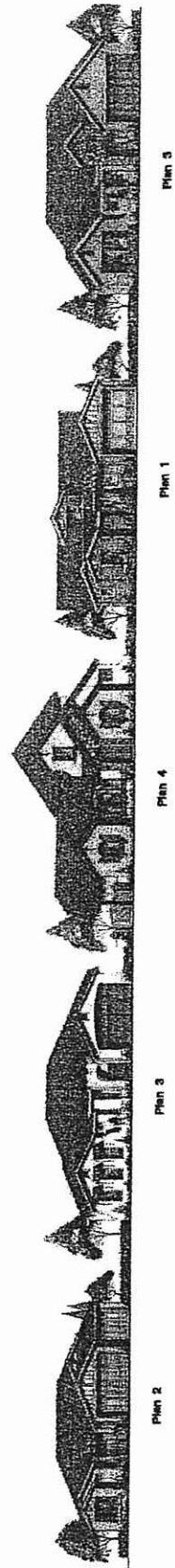
Avimor

Ada County, Idaho

60 Foot Lot Series

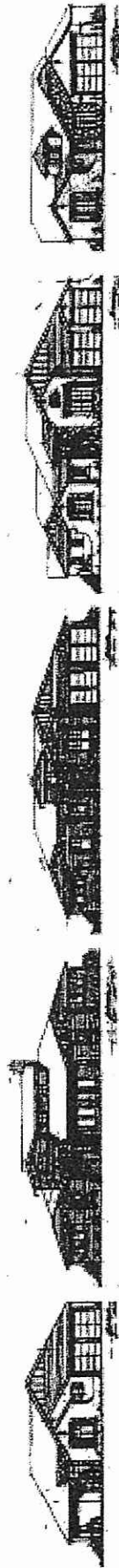
Conceptual Elevations

Figure DG-8



Avimor
Ada County, Idaho
75 Foot Lot Series
Conceptual Elevations

Figure DG-9



AVIMOR
5000 series (90' lot product)

Conceptual Elevations

Figure DG-10

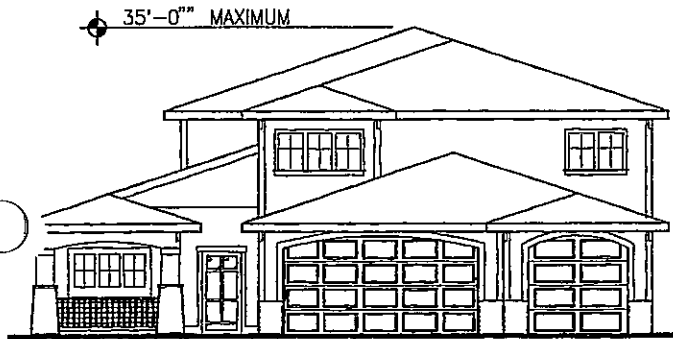


ILLUSTRATION E: MASSING

- a. Each series built on a particular lot size shall include a minimum of 4 floor plans of varied sizes and features.
- b. Each plan shall have 3 distinct design treatments or elevations. Elements to be varied include a combination of primary siding, roof material, window design, trim detail, and architectural style.
- c. A typical block face in a production series must contain 3 different plans with varying elevations and colors. No more than one house of the same plan, elevation and color treatment in the same block face.
- d. Each series of production homes should offer a mix of single and two-story plans with single-story plans the majority.

3. Massing

Upper floors are encouraged to have setbacks from the lower levels, especially on the street elevation. The impact of two-story walls can be reduced by use of insets, pop-outs, material changes, and other architectural modifications and features.

Roof pitches will vary by plan and elevation. Minimum roof pitch is 4/12 and the maximum roof pitch will be determined by the architectural theme.

4. Materials

Primary materials on the body of the house include siding (excluding vinyl siding) and stucco. Transition of materials should occur as the best possible locations, such as inside corners, windows, and pop-outs.

Accent materials such as brick, stone and rock are encouraged consistent with the architectural theme.

Roof materials should be asphalt shingles or tile, with type and color relating to the scale, base color and architectural theme of the home. Tiles should not have any type of reflective glazed finish. No wood shingles or wood shakes are permitted due to fire risk.

Driveways, sidewalks and patios should be standard concrete with options such as pavers, stained concrete or other design features.

Custom Home Guidelines

Defined as a lot sold to a third-party builder or individual, without any improvements made to the lot, aside from frontage improvements. Custom lot locations are shown on the Housing Type Illustration, Figure DG -6, above. Locations are general and subject to future design revisions and marketing decisions.

Custom Lots are designed to provide a visual and physical transition between the density of the builder production housing and the surrounding open space. In order to achieve this transition as sensitively as possible, as well as to ensure a visual harmony throughout the community, the siting and design of homes should be accomplished with minimal disturbance to the land, the views, and should enhance the character of the community.

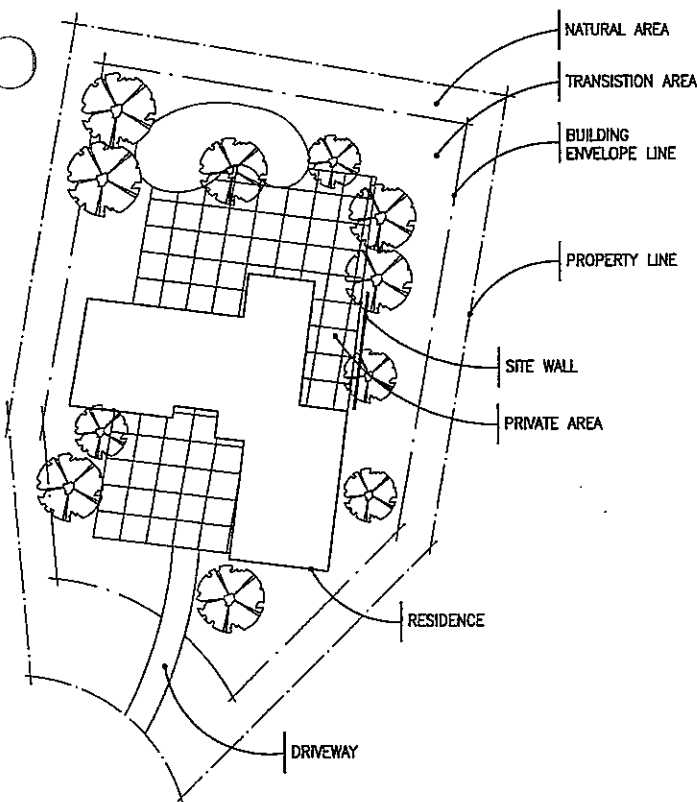


ILLUSTRATION - F: SITE DESIGN

1. Site Design

Each custom-home lot will have a pre-defined **building envelope** to help identify the optimum access to, and location for, each home. Envelopes are to be established to maintain existing natural features, provide visual buffers of native landscape between properties, protect neighboring view corridors, and identify a suitable home site area that requires the least amount of grading. All improvements (including the residence, patios, walls and fences) on each custom-home lot shall be contained within the building envelope. Driveway connections between building envelope and street are subject to review by the Avimor Design Review Committee. In no case will any part of the residence be allowed within 15 feet of any side property line, or within 25 feet of any rear or front property line.

Each custom lot will consist of three distinct area designations: **Natural Area, Transition Area, and Private Area**. Each area designation should be carefully considered and incorporated into the design of the home.

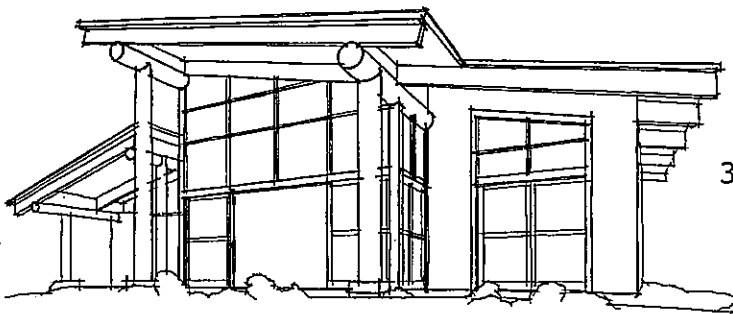
The area between the owner's property line and the building envelope line is the **Natural Area** and shall be maintained or revegetated to a natural condition. The area between the building envelope line and the building walls is the **Transition Area**. The landscaped area between site walls and the building which are not visible from neighboring properties is the **Private Area**.

Each home design shall attempt to balance cut-and-fill quantities when grading on a sloping site. Multiple finished floor elevations within the home are encouraged to accommodate grade changes on the site.

Exposed cut or fill slopes shall not exceed a slope of three feet horizontal to one foot vertical (3:1) and each slope area shall not exceed six vertical feet from toe of slope to top of slope. Cut or fill slopes shall not encroach outside the building envelope.

A minimum of two on-site guest parking spaces shall be provided for each custom residence.

USE OF LOCAL MATERIALS
e WOOD, ROCK



VENACULAR DETAILS AND
MATERIALS COMBINED WITH
CONTEMPORARY BUILDING FORM
WITH USE OF GLASS, METAL

ILLUSTRATION G: MOUNTAIN CONTEMPORARY

2. Architectural Themes

A diverse range of architectural themes is encouraged including those identified in the Production Home Guidelines. Also allowed is Mountain Contemporary. The Avimor Design Review Committee may approve other architectural themes.

3. Massing

Homes with several smaller components will be more compatible with the natural environment, due to their reduced scale and increased texture, than a single large volume. Buildings shall be designed with at least three distinct building masses to avoid the "big box" effect. Massing shall vary horizontally with various ridge and parapet lines, and vertically with offset wall planes. Long, unbroken walls exceeding 30 feet in length are discouraged.

4. Materials

Materials reflecting those outlined in the Production Home Guidelines will be of very high quality. Use of rock and stone finish is strongly encouraged to blend with the natural setting.

Custom-home driveways, sidewalks, and parking area(s) should be constructed of unit pavers, integral color concrete, exposed aggregate, textured concrete, natural stone, or other "decorative" paving materials. Standard gray concrete or asphalt driveways are discouraged.

All proposed walls and fences constructed on individual homesites must be constructed of a material, finish, and color that complements the adjacent residence.

Exterior construction materials of foothills dwellings must be fire-resistant or non-combustible and siting of structures shall provide defensible space for protection from wildfire.

Village Center Residential/Multi-Family

Building Setbacks:

1. In the Village Center, all residential buildings have a front set back of 9' from the public right of way along street sides. Entry stoops, awnings, balconies and architectural embellishment may encroach into the required setback only as approved by the Avimor Design Review Committee.
2. No minimum interior side setbacks are required.
3. End unit side setbacks of 5'-0" minimum are required.

Architectural Themes:

1. A diverse range of architectural themes is encouraged including those identified in the Production Home Guidelines. Also allowed is Mountain Contemporary. The Avimor Design

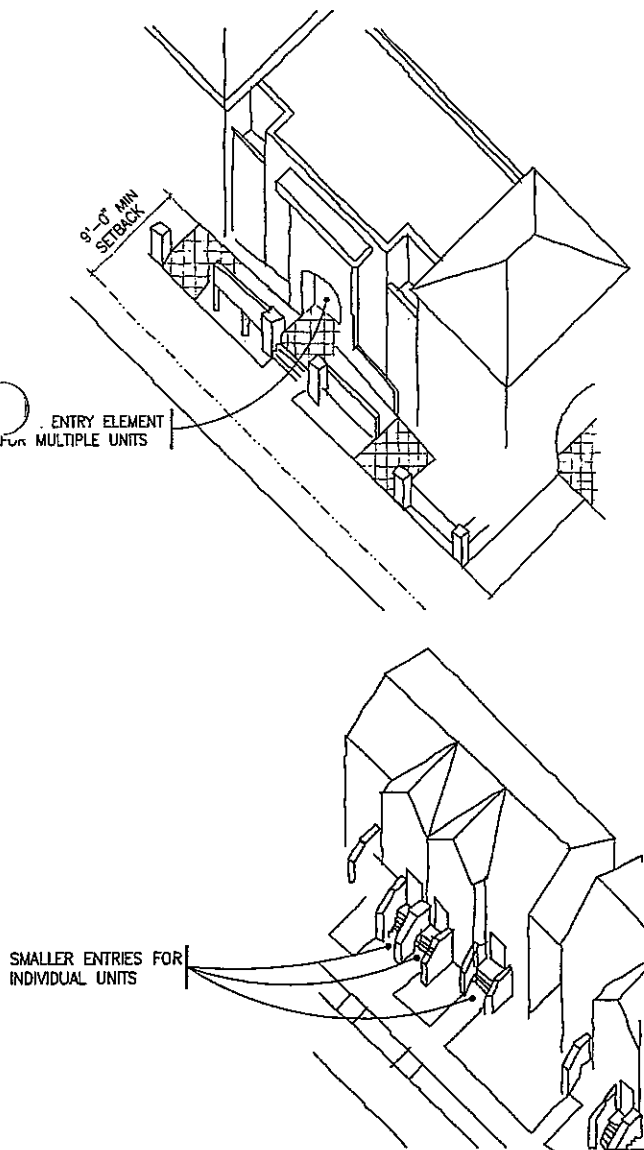


ILLUSTRATION H: SETBACKS AND ENTRIES

Review Committee may approve other architectural themes.

Massing:

1. The public street elevation should foster an appearance of a residential neighborhood, with facade articulation reflecting the themes of nearby residential areas.
2. Individual units should have a presence on the street or entry drive and not be walled-off or inward oriented.
3. Units may be joined into a single building but should feature individual entries, porches and balconies. Entryways should include elements such as overhangs, awnings, columns, stoops to create a strong presence.
4. Where the side facade at the end of a building is oriented to a street, driveway or neighboring property, massing and design quality should be consistent with the front facade.
5. ~~Low walls, landscaping and entry-grade~~ changes should be used to create privacy while maintaining a relationship to the street.
6. Garages may be attached, detached, underground or some combination of garage types. All garage structures must be consistent and compatible with the architecture and materials of the residence it serves. Garage are to be access through alleys, internal block parking and shall not face the street.
7. Rooflines should correspond to the variation in building massing and articulation with bays, gables, and dormers. Parapets on flat roofs should be articulated with well-designed details. Roofs over corners and major entries should be more strongly articulated.
8. The facades of all multi-family buildings shall be varied by incorporating three or more of the following:
 - a. Balconies;

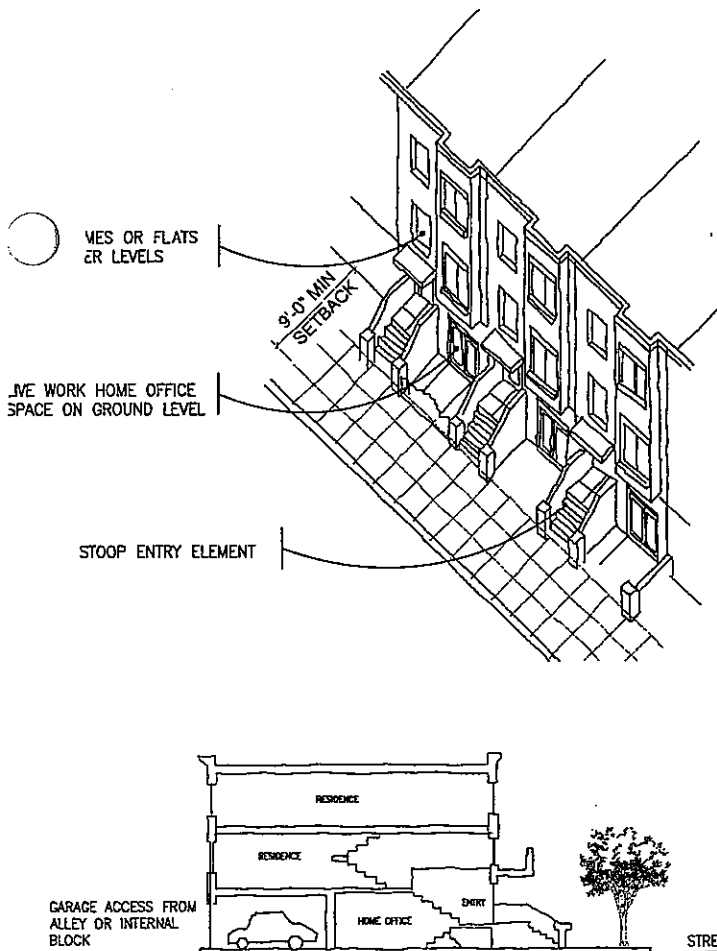


ILLUSTRATION - I: MASSING

- b. Bay or box windows;
- c. Porches or varied entries;
- d. Dormers;
- e. Variations in materials and/or colors;
- f. Variations in roof forms;
- g. Variation in window sizes and shapes; or
- h. Vertical elements that demarcate building modules.

Materials:

1. Materials reflecting those outlined in the Production Home Guidelines will be of very high quality.

Parking:

1. Parking and garage access should be located behind building and should be accessed from block interior or alleys whenever possible.
2. Tandem parking may be allowed for private residence use as approved by the Avimor Design Review Committee.

Screening Requirements:

1. Rooftop mechanical equipment must be screened to the height of the equipment exterior materials consistent with the residence.
2. Service areas for buildings will be located at the rear of the building whenever possible, including loading, recycling, garbage, meters, mechanical equipment, etc. Service areas are encouraged be screened from view to the height of the equipment with decorative walls compatible with the building façade if visible from the street as permitted by the utility companies (exceptions may be considered with written consent of the Design Review Committee).

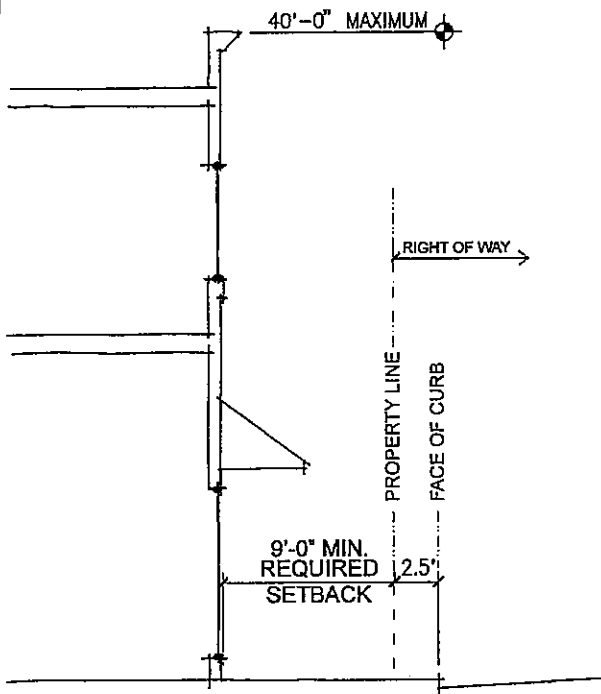


ILLUSTRATION - K: BUILDING SETBACK

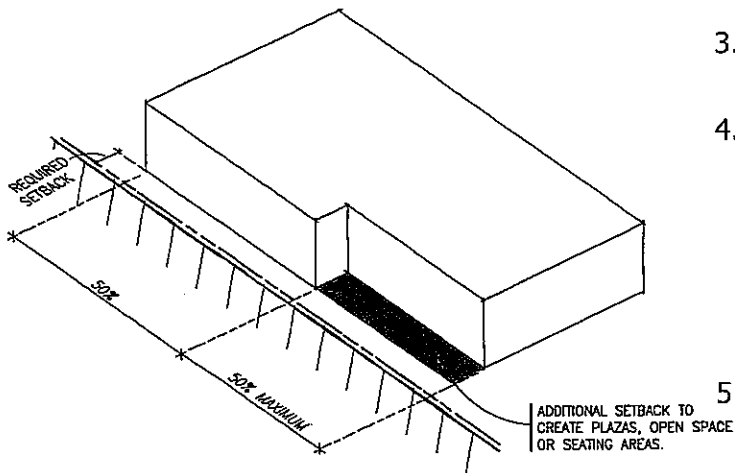


ILLUSTRATION L: BUILDING FRONTAGE

Village Center Commercial Guidelines

These guidelines are intended to promote high-quality building design that actively considers the surrounding context in nonresidential and mixed-use areas, encourages visual variety in such areas, fosters a human scale and accessible and attractive street fronts, projects a positive image to encourage economic development in the Village Center, and protects property values of both the subject property and surrounding development. It is also the intent of this section to provide flexible standards that allow for creativity and innovation.

Building Setbacks

1. In the Village Center, all commercial or mixed use buildings have a minimum front set back of 9' from the public right of way (typically 2'-6" behind face of curb) along street sides (exceptions may be considered for buildings adjacent to public plazas).
2. Commercial and mixed use buildings shall have 50% of the first floor façade built to within 12" of the front setback (street facing).
3. No minimum interior side or rear setbacks are required.
4. Ground level commercial / mixed use building corners, on corner lots only, may be chamfered or rounded a distance of 15' maximum from the corner property line for corner entries (exceptions may be considered with written consent from the Avimor Design Review Committee).
5. Sidewalks located within the 9' required setback shall be dedicated public access easements.

Building Height/Massing

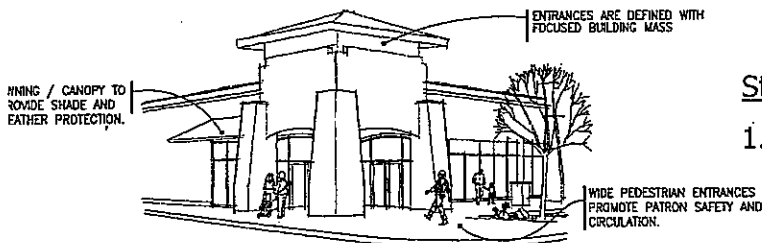
1. New commercial development may have a maximum two stories in height (or 40 feet) as set forth in the Village Center District (VC).

2. Buildings should be encouraged to vary their height to create visual interest, but not so much to create proportional problems. Features such as a terracing parapet, multiple peaks, jogged ridge lines, dormers and gable ends are encouraged.
3. Balconies are encouraged on upper floors and over entry porches, which will provide an additional visual interest, protection from elements, and opportunities for social interaction, street life and added security. Balconies may encroach up to 6 into the building setback.
4. Commercial buildings, especially those located at the intersection of Avimor Drive and Springland Way should be distinguishable by special architectural features. Clock towers, turrets or similar special features/elements may be used to create special landmark features.
5. Facade articulation shall be achieved by incorporating two or more of the following detail elements every 50 feet in wall length on each building elevation:
 - a. Changes in color, texture, and/or material.
 - b. Projections, recesses, and reveals, expressing structural bays or other aspects of the architecture with a minimum change of plane of 12 inches.
 - c. Windows and primary entrances.
 - d. Projections or breaks in the vertical rise of the building elevation.
6. The facades of all multi-family buildings shall be articulated by incorporating three or more of the following:
 - a. Balconies;
 - b. Bay or box windows;
 - c. Porches or articulated entries;
 - d. Dormers;
 - e. Variations in materials and/or colors;
 - f. Variations in roof forms;

- g. Variation in window sizes and shapes; or
- h. Vertical elements that demarcate building modules.

Building Colors & Materials

1. A varied color palette shall be used. Earth tone color palettes are encouraged; however, the use of richer, more vibrant colors may be approved by the Avimor Design Review Committee.
2. Primary materials shall include: stucco, cementitious siding, brick, integral colored, sand blasted, honed and/or split faced CMU, and clear or lightly tinted glass.
3. Accent materials to include: natural and simulated stone veneer, rough cut wood beams, columns and accent bands, ceramic tile, and anodized aluminum and stainless steel fascia.
4. Primary and accent roof materials visible from street level shall include: concrete or clay tile and metal standing seam. Visible roofing to have low reflectivity.
5. Primary roof materials for low slope roofs screened by parapet walls shall include: PVC, TPO or other associated single-ply membrane roofing.
6. Building materials not permitted include: T-111 siding except in interior ceiling locations, standard unfinished gray CMU, unfinished plywood or wood trim, vinyl siding, mirrored glass, highly reflective materials, asphalt roof shingles, or wood shingles on roofs due to fire risk (exceptions may be considered with written consent of the Avimor Design Review Committee).



Street Façade

1. The front elevations of new commercial or mixed-use buildings must contribute positively to the attractiveness of the streetscape and the Village Center through the combination of the

ILLUSTRATION M: BUILDING ENTRANCE

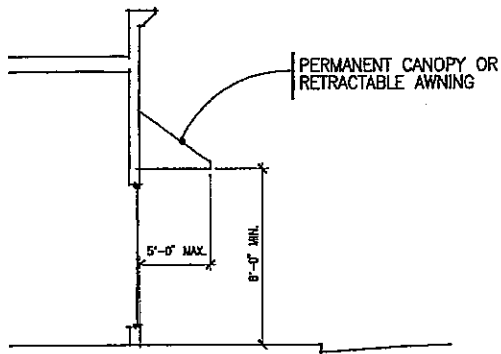


ILLUSTRATION N: AWNINGS

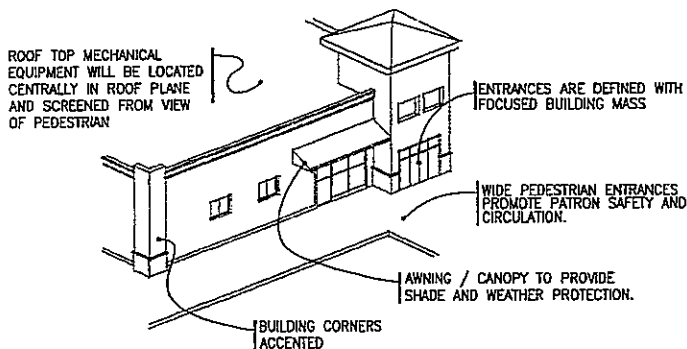


ILLUSTRATION O: BUILDING FACADE & SCREENING

building height, massing color and material guidelines as described within this document.

2. All retail space must be easily accessible to the general public.
3. The entrances to mixed-use buildings should be always oriented to and be highly visible from the street. Entrances for retail uses *must* be separated from residential entrances. Additional residential or service entrances connected to the rear parking may be provided from the rear or side of the buildings.
4. At the street level, windows should be sufficiently large to expose goods within shops and encourage a retail presence.
5. Retractable fabric awnings or permanent canopies for sun protection and the creation of protected sidewalk space are encouraged. Awnings or permanent canopies may encroach 5' into the building setback. Columns supporting canopies or awnings are not allowed in the building setback.

Side and Rear Elevations

1. Although the front facades of commercial and mixed-use buildings are critical elevations, these buildings should also be designed to be seen from all sides.
2. Special care should be taken to continue a portion of the massing, materials and textures applied to the front façade on all building elevations to achieve elevation continuity.

Screening Requirements

1. Rooftop mechanical equipment must be screened to the height of the equipment with allowable exterior materials.
2. Service areas for new buildings will be located at the rear including loading, recycling, garbage, meters, mechanical equipment, etc. Service areas will be screened from view to the height of the equipment with decorative walls compatible with the building façade if visible

from the street (exceptions may be considered with written consent of the Avimor Design Review Committee).

Streetscape Design

1. The sidewalk in the Village Center is also designed to accommodate many of the streetscape elements that are found in the public right-of-way. These include street trees, landscaping, lights, street furniture, kiosks, etc.
2. Sidewalks within the Village Center along Avimor Drive and Springland Way should be in the range of 10' -12' in width or greater to accommodate larger volumes of pedestrians, increased activity and pedestrian amenities such as street furniture and lights.
3. Pedestrian crossings should be constructed of a contrasting material including highly-contrasting color to provide high visibility for both motorists and pedestrians subject to ACHD approval.

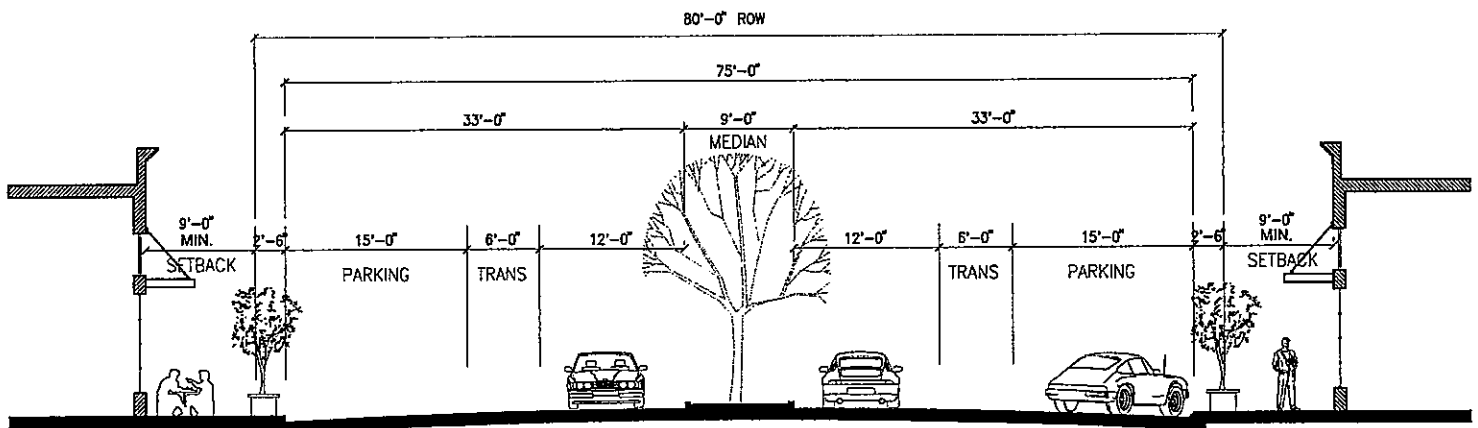


ILLUSTRATION P: AVIMOR DRIVE STREET SECTION

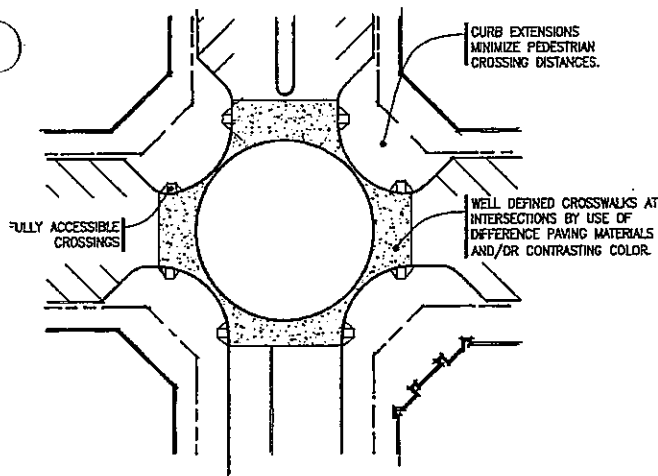


ILLUSTRATION Q: CURB EXTENSIONS

4. Curb extensions or bump outs should be provided at the four corners of the intersections of Avimor Drive and Springland Way, and Avimor Drive and McLeod Way, as a means of reducing pedestrian travel distance across the intersection, providing additional sidewalk space, providing additional opportunities for streetscape treatments and to slow traffic.
5. Street furniture may be located at key nodes where pedestrians are intended to gather. This may be at the forecourt of a building or a pedestrian node on the sidewalk where space permits such as a bump out location, in public spaces for informal or spontaneous uses and programmed uses.

Public Plaza/Patios

1. The *Village Plaza* is a public square located adjacent to the community recreation center on Avimor Drive and will provide a key civic focus for the Village Center and provide an opportunity to accommodate a variety of landscape elements such as a water feature, public art or an architectural feature.
2. Secondary patios/plazas may also contain intimate sitting areas adjacent to retail or commercial buildings and sidewalks with views to and from the street. Opportunities to establish patios and plazas that are integral to site development throughout the village core should be encouraged.
3. Provide shielded down-lighting of the patio and plaza areas to promote safety.
4. Public spaces will be encouraged to include other pedestrian amenities such as drinking fountains, bicycle racks, trash receptacles, etc. Grass areas, low walls and steps can be used as alternate forms of seating.

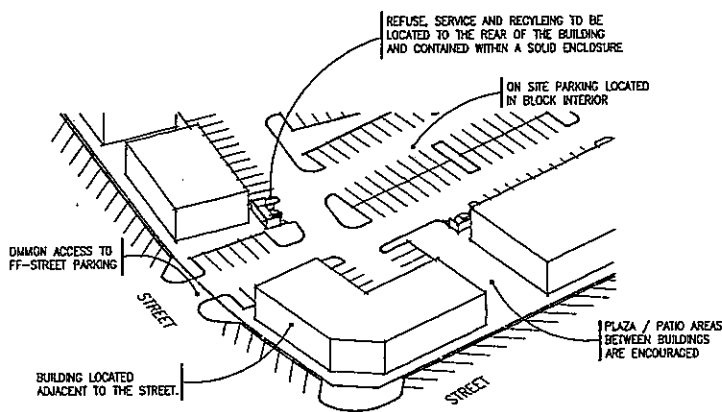


ILLUSTRATION R: OFF STREET PARKING

Off-street parking

1. All off street parking lots spaces and drive aisles shall be paved. The paving shall be with impermeable materials such as a concrete or asphalt compound to standards prescribed by the geotechnical report or traffic engineer.
2. Required parking areas serving a site, whether located on that same lot or on an adjacent lot, may be connected by means of a common access driveway within or between the interior of such lots.
3. Off-street parking shall be recognized as shared-parking for multiple uses. The only dedicated parking will be those required for residential uses when parking is not attached to the dwelling (exceptions may be considered with written consent of the Avimor Design Review Committee)
4. No wall, post, guardrail, or other obstruction that would restrict vehicle door opening shall be permitted within five feet of the centerline of a parking space.
5. All refuse and trash collection areas shall be delineated on the parking lot layout and design plan. Refuse and trash collection receptacles shall not be located in a manner that obstructs or interferes with any designated vehicular or pedestrian circulation routes within a parking lot.
6. A portion of the total number of required off-street parking spaces in each off-street parking area shall be specifically designated, located, and reserved for the use by persons with physical disabilities. The number and design of accessible handicap parking spaces shall be in accord with the Americans with Disabilities Act.
7. Automobile headlight illumination from parking areas should be screened from adjacent residential lots and the street.
8. Garages within the Village Center shall be accessed off alleyways or common parking lots only.

G. Landscape

General Guidelines

The built landscape of the Avimor Planned Community will embrace the surrounding natural landscape as the foundation for design. Preservation and integration of native vegetation and materials is critical to preserving a sense of place. It also provides an opportunity to enhance habitat, and to create a seamless transition to the more urban environments which bind the development together. This transition will occur in accordance with the following:

1. Preserve native vegetation and plants in all undisturbed areas.
2. Plant selection shall be consistent with the native vegetation, the natural environment, growing conditions, and shall be from an approved plant list appropriate to varied site locations and land uses.
3. Blend structures with the existing terrain through landscape design and selection of plant material.
4. Use plant materials to reduce building scale and mass to help integrate the structure into its surroundings.
5. Protect areas disturbed by construction from erosion by revegetation as soon as possible after completion of such activity as seasonal conditions allow.
6. Climate conditions and building orientation shall guide the type and location of trees and shrubbery.
7. Water conservation and sustainability shall guide plant location and groupings, and mulching shall be encouraged to preserve moisture in planting beds.
8. Village street planting shall include deciduous trees of a size and character to provide shading for pedestrians, roadways, and buildings during the summer, and conversely, to enable solar-gain during winter months.

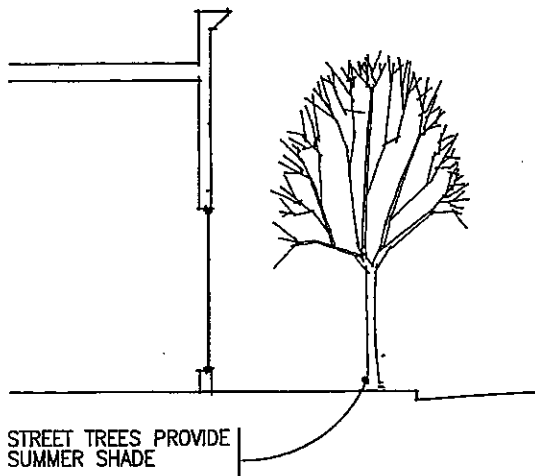


ILLUSTRATION S: STREET TREES

9. Windbreaks and buffering of noise and light will be considered in the design and placement of trees and shrubbery.
10. Adhere to wildfire defensible-space standards for Foothills Residential interface areas.
11. Except for fire-defensible areas, undeveloped land and undisturbed lot areas shall not be irrigated or landscaped, other than for enhancement or restoration of drought-resistant plants and grasses.
12. Where appropriate, new landscaping should be less or non palatable to wildlife.

Plant Palette

The Avimor plant palette which follows as Table DG-1 provides a flexible framework for selection of native and xeric plants that will guide detailed landscape plans for specific land use districts within the community. The species list is a guide and will necessarily evolve over time and be subject to individual site considerations and plant availability. Additions to the list shall not require an amendment to these Standards and Guidelines.

Type and intensity of landscape treatment shall be applied on a continuum, with Village Land Use Districts employing xeric but not necessarily native plants in more traditional arrangements that transition to native, extremely low water use plants in the Foothills Districts. The latter shall be placed so as to blend with the indigenous landscape and preclude the appearance of an obvious edge between developed and existing areas. In all districts, the use of lawn as a general ground cover will be discouraged. Lawn use will be restricted to park areas designed for gathering, picnicking, open field play and limited private lot areas. Community service districts shall be landscaped so as to correspond with landscape treatment of the prevailing adjacent land use.

Table DG-1

WATERWISE LANDSCAPE PALETTE

(June 2006)

NATIVE & XERIC PLANT MATERIALS FOR A VIMOR PLANNED COMMUNITY

Woody Plants

Trees (Large)

Common Name	Scientific Name	Native	Xeric
Common Hackberry	<i>Celtis occidentalis</i>		X
Ginkgo	<i>Ginkgo biloba</i>		X
Golden-Rain Tree	<i>Koelreuteria paniculata</i>		X
Green Ash	<i>Fraxinus pennsylvanica</i>		X
Kentucky Coffee Tree	<i>Gymnocladus dioica</i>		X
Lodgepole Pine	<i>Pinus contorta</i>		X
Netleaf Hackberry	<i>Celtis reticulata</i>	X	
Ponderosa Pine	<i>Pinus ponderosa</i>	X	
Rocky Mountain Juniper	<i>Juniperus scopulorum</i>	X	
Bigtooth Maple	<i>Acer grandidentatum</i>	X	
Russian Olive	<i>Elaeagnus angustifolia</i>		X
Scotch Pine	<i>Pinus sylvestris</i>		X
Thornless Honey Locust	<i>Gleditsia triacanthos</i>		X
Western Juniper	<i>Juniperus occidentalis</i>	X	
Western Larch	<i>Larix occidentalis</i>	X	

Trees (Small)

Amur Maple	<i>Acer ginnala</i>		X
Apricot	<i>Prunus armeniaca</i>		X
Bittercherry	<i>Prunus emarginata</i>	X	
Black Hawthorn	<i>Crataegus douglasii</i>	X	
Blue Elderberry	<i>Sambucus caerulea</i>	X	
Canada Buffaloberry	<i>Shepherdia canadensis</i>	X	
Cascade Mountain-Ash	<i>Sorbus scopulina</i>	X	
Cascara	<i>Rhamnus purshiana</i>	X	
Chokecherry	<i>Prunus virginiana</i>	X	
Cutleaf Mountain Mahogany	<i>Cercocarpus ledifolius</i>	X	
Gambrel Oak	<i>Quercus gambelii</i>		X
Mountain Maple	<i>Acer glabrum</i>	X	
New Mexico Locust	<i>Robinia neomexicana</i>		X
Pinyon Pine	<i>Pinus edulis</i>	X	
Silverberry	<i>Elaeagnus commutata</i>	X	
Smooth Sumac	<i>Rhus glabra</i>		X
Utah Serviceberry	<i>Amelanchier utahensis</i>	X	
Western Redbud	<i>Cercis occidentalis</i>		X

Shrubs

Birchleaf Spirea	<i>Spirea betulifolia</i>	X	
Bitterbrush	<i>Purshia tridentata</i>	X	
Broom Snakeweed	<i>Gutierrezia sarothrae</i>	X	
Common Lilac	<i>Syringa vulgaris</i>		X
Common Snowberry	<i>Symphoricarpos albus</i>	X	
Creeping Juniper	<i>Juniperus horizontalis</i>		X

Shrubs Continued

Common Name	Scientific Name	Native	Xeric
Fernbush	<i>Chamaebatiaria millefolium</i>	X	
Flowering Quince	<i>Chaenomeles japonica</i>		X
Fourwing Salt Bush	<i>Atriplex canescens</i>		X
Gardner Salt Bush	<i>Atriplex gardneri</i>		X
Golden Currant	<i>Ribes aureum</i>	X	
Gray Rabbitbrush	<i>Chrysothamnus nauseosus</i>	X	
Green Rabbitbrush	<i>Chrysothamnus viscidiflorus</i>	X	
Mexican Cliff Rose	<i>Cowania mexicana</i>	X	
Mockorange	<i>Philadelphus lewisii</i>	X	
Mountain Big Sagebrush	<i>Artemisia tridentata vaseyana</i>	X	
Mountain Snowberry	<i>Symphoricarpos oreophilus</i>	X	
Narrowleaf Yucca	<i>Yucca glauca</i>		X
Ninebark	<i>Physocarpus malvaceus</i>	X	
Oceanspray	<i>Holodiscus discolor</i>	X	
Oregon Grape	<i>Mahonia aquifolium</i>		X
Red-osier Dogwood	<i>Cornus sericea</i>	X	
Rugosa Rose	<i>Rosa rugosa</i>		X
Shrubby Cinquefoil	<i>Potentilla fruticosa</i>	X	
Silver Sagebrush	<i>Artemisia cana</i>	X	
Skunkbush	<i>Rhus trilobata</i>	X	
Sticky Currant	<i>Ribes viscosissimum</i>	X	
Thimbleberry	<i>Rubus parviflorus</i>	X	
Utah Honeysuckle	<i>Lonicera utahensis</i>	X	
Viburnum	<i>Viburnum lantana</i>		X
Wax Currant	<i>Ribes cereum</i>	X	
Western Serviceberry	<i>Amelanchier alnifolia</i>	X	
Wood's Rose	<i>Rosa woodsii</i>	X	

Herbaceous Plants

Perennial Forbs

Aster	<i>A. alpinus, A. divaricatus,</i> <i>A. oblongifolius</i>	X	
Blazing Star	<i>Mentzelia laevicaulis</i>	X	
Blue Camas	<i>Camassia quamash</i>	X	
Clarkia	<i>Clarkia pulchella</i>	X	
Common Lavender	<i>Lavandula angustifolia</i>		X
Common Monkeyflower	<i>Mimulus guttatus</i>	X	
Cous Biscuitroot	<i>Lomatium cous</i>	X	
Daylily	<i>Hermerocallis sp.</i>		X
Delphinium	<i>Delphinium glaucum,</i> <i>D. bicolor, D. nuttallianum</i>	X	
Desert Sage	<i>Salvia dorrii</i>	X	
False Yarrow	<i>Chaenactis douglasii</i>	X	
Fernleaved Biscuitroot	<i>Lomatium dissectum</i>	X	

Perennial Forbs Continued

Common Name	Scientific Name	Native	Xeric
Fireweed	<i>Epilobium angustifolium</i>	X	
Gooseberryleaf Globemallow	<i>Sphaeralcea grossulariifolia</i>	X	
Hoary Aster	<i>Machaeranthera canescens</i>		X
Hood's Phlox	<i>Phlox hoodii</i>	X	
Horsemint	<i>Agastache urticifolia</i>	X	
Hot Rock Penstemon	<i>Penstemon deustus</i>	X	
Lewis Flax	<i>Linum lewisii</i>	X	
Lewis's Monkeyflower	<i>Mimulus lewisii</i>	X	
Long-Plumed Avens	<i>Geum triflorum</i>	X	
Lovely Penstemon	<i>Penstemon venustus</i>	X	
Mexican Hat	<i>Ratibida columnaris</i>		X
Mountain Hollyhock	<i>Iliamna rivularis</i>	X	
Orange Globemallow	<i>Sphaeralcea munroana</i>	X	
Oval-leaved Buckwheat	<i>Eriogonum ovalifolium</i>	X	
Russian Sage	<i>Perovskia atriplicifolia</i>		
Showy Goldeneye	<i>Viguiera multiflora</i>	X	
Silver Lupine	<i>Lupinus argenteus</i>	X	
Sticky Geranium	<i>Geranium viscosissimum</i>	X	
Sulfur Buckwheat	<i>Eriogonum umbellatum</i>	X	
Tufted Evening-Primrose	<i>Oenothera caespitosa</i>	X	
Western Yarrow	<i>Achillea millefolium</i>	X	
Wilcox's Penstemon	<i>Penstemon wilcoxii</i>	X	
Wild Strawberry	<i>Fragaria virginiana</i>	X	
Wyeth Buckwheat	<i>Eriogonum heracleoides</i>	X	
Groundcovers			
Bearberry	<i>Arctostaphylos uva-ursi</i>	X	
Creeping Oregon Grape	<i>Mahonia repens</i>	X	
Fringed Sagebrush	<i>Artemisia frigida</i>	X	
Low-Grow Sumac	<i>Rhus aromatica</i>		X
Poppy Mallow	<i>Callirhoe involucrata</i>	X	
Rosy Pussytoes	<i>Antennaria rosea</i>	X	
Sedum varieties	<i>Sedum species</i>		X
Snow in Summer	<i>Cerastium tomentosum</i>		X
Sunrose, Rockrose	<i>Helianthemum nummularium</i>		X

Grasses/Sedges

Blue Oat Grass	Helictotrichon sempervirens		X
Bluebunch Wheatgrass	Pseudoroegneria spicata	X	
Blue Grama	Bouteloua gracilis		X
Elk Sedge	Carex geyeri	X	
Feather Reed Grass	Calamagrostis x acutiflora Karl Foerster'		X
Fountain Grass	Pennisetum alopecuroides		X
Great Basin Wildrye	Elymus cinereus	X	
Idaho Fescue	Festuca idahoensis	X	
Indian ricegrass	Oryzopsis hymenoides	X	
Needle-and-Thread Grass	Stipa comata	X	
Pinegrass	Calamagrostis rubescens	X	
Sheep Fescue	Festuca ovina 'Covar'		X
Streambank Wheatgrass	Agropyron riparium 'Sodar'		X

H. Fences & Walls

Fences and walls are useful in distinguishing and delineating spaces and property lines, and in providing security and safety. However, fences and walls should not block views of riparian corridors, and should not pose a danger, or be an impediment to movement of wildlife. Transitional slopes between improved lot areas should be maintained by vegetation and natural rock features; walls will be approved only where required or for structural integrity.

1. Fencing must adhere to an approved, consistent community theme and will be subject to approval by the Avimor Design Review Committee.
2. In foothills areas, only building envelopes may be fenced. Areas outside of building envelopes must be left open and unobstructed.
3. Residential areas in the Village Residential Zone may have perimeter fencing located on the lot line, or other location as required by the specific design and character of the dwelling.
4. Wrought iron fencing shall be 48" maximum height and must have a solid top rail as a protection for big game; spikes and pointed finials will be prohibited.
5. Fencing location and height must conform not only to Avimor guidelines but also to public safety requirements at intersections or along roadways.
6. Lot-line fencing in the front yards of alley loaded small lot residences will be limited to open picket, or to planting hedge and must not exceed 42" in height.
7. Site walls shall be of the same character, color and finish as the primary residence or structure, unless otherwise approved by the Avimor Design Review Committee.
8. Site walls, fences, berms or landscape may align with the building envelope but must never delineate the entire envelope.

9. The maximum uninterrupted height of any retaining wall shall be 4 feet, measured from grade to top of wall. Where grades require more than one wall, additional walls must be set apart a distance of one foot horizontally for each one foot of vertical of the second wall and the areas between walls must be landscaped. The maximum height of a combination retaining wall and site wall is 6 feet.

I. Lighting

While lighting must provide for required safety and security, it must not pollute the dramatic night-time mountain and valley setting of Avimor. All lighting must conform to the Standards and Guidelines and must be approved by the Avimor Design Review Committee.

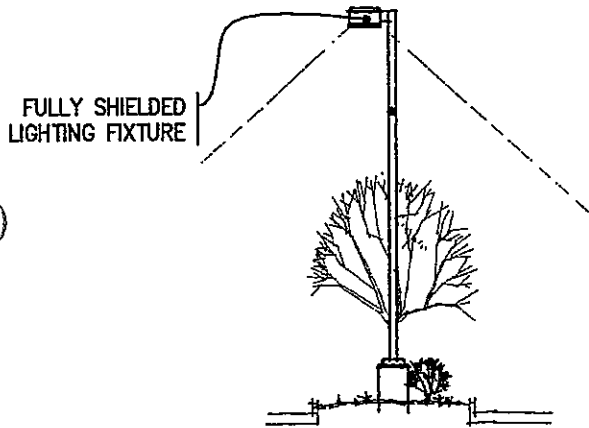


ILLUSTRATION T: SITE LIGHTING

1. Street lighting will be limited to intersections, along the village center main street, in public parking areas, and in specified public places. All such lighting shall be controlled to prevent spillage and glare.
2. Pedestrian areas, patios, sidewalks, and building entrances should be adequately lit to provide safety and security.
3. Lighting shall be limited to the building or residence area, and shall not glare or spill onto neighboring lots.
4. Recessed down-lights are encouraged at residence entries and patios. Surface-mounted light fixtures shall have shielded light sources with bulbs or tubes not directly visible. Wall or eave-mounted floodlights, including motion-sensor lighting, are prohibited.
5. Skylights can provide objectionable light spillage and glare in the night sky. Shield interior lighting near skylights to minimize brightness. Skylights shall be screened from the view of adjacent properties. Skylights also require Avimor Design Review Committee approval.
6. Building light fixtures should be designed or selected to be architecturally compatible with the main structure, which should complement the theme of the surrounding area.

7. Blinking, flashing lights, and exposed neon lighting used to illuminate building façades or to outline buildings are prohibited.
8. Parking lot lighting should be designed to have a minimal effect on surrounding properties and buildings. Lighting should be directed downward to minimize glare, and light intensity should be of satisfactory quality to ensure visibility, safety, and security.
9. Landscape lighting shall be low-voltage only and controlled with an electric clock or photo-cell device. Light sources must be shielded from view. Controller equipment must be located in a discreet location or screened from view from the street or adjacent property.
10. Business signage shall avoid glare or visual interference for vehicular and pedestrian safety.
11. Energy efficiency and low wattage, high life lighting is encouraged.
12. All lighting shall conform to the technical and installation requirements of Ada County Code.

J. Signage

Signage and informational graphics within Avimor will adhere to Community theme, size, style standards adopted by the Avimor Design Review Committee, and to the guidelines which follow.

General

1. All signs shall be architecturally integrated into their surroundings in terms of size, shape, color, texture and lighting.
2. Signs shall complement the overall design of the building and shall not visually compete with other signage.
3. Signs shall convey their message clearly and, if illuminated, shall not glare or impact surrounding property, or blind motorists or pedestrians.
4. Signs shall be proportionate to the dimensions of their location on a structure.

5. All signage shall conform to the technical and installation requirements of the building code, as applicable.
6. All signs, with the exception of individual real estate sales and political signs shall be approved by the Avimor Design Review Committee. No further approval shall be required from Ada County except for building permits, where applicable.

Standards

1. A signage plan shall be presented to the Avimor Design Review Committee for commercial, retail, office, service and community facilities. The signage plan shall identify location, size, materials and finishes and method of installation and shall be subject to the following:
 - a. Building-mounted signs shall be limited to 1 square foot for each linear foot of street frontage and 1/2 square foot for each linear foot on all other elevations where the sign is displayed.
 - b. Free standing signs shall be on ground-mounted monoliths with a maximum height of 8 feet and a maximum area of 48 square feet.
 - c. Illumination may be direct or indirect interior lighting, or by exterior illumination from a ground source.
 - d. Identification of individual businesses or tenants within a multi-occupant facility shall be limited to one sign per store front and size shall be as allowed in 1a above.
2. Project identification signage may include permanent entry features, phase and neighborhood signs, or temporary information, direction, construction, marketing and community event signs.
 - a. The Avimor Design Review Committee shall have the discretion to approve such signs, their size, construction and

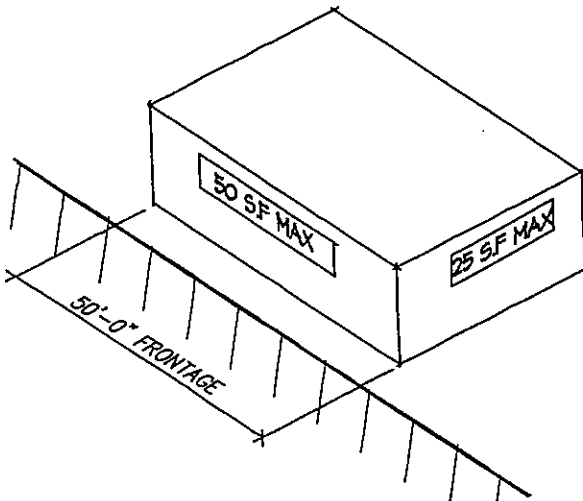


ILLUSTRATION U: BUILDING SIGNAGE

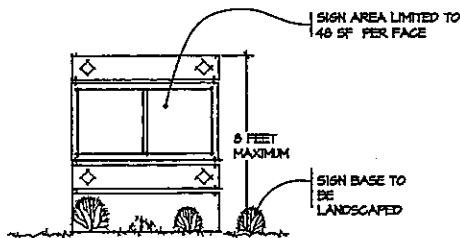


ILLUSTRATION V: MONUMENT SIGN

materials, and location as long as the general sign guidelines first noted are adhered to, and sign placement does not pose a hazard to vehicular or pedestrian safety.

- b. Temporary signs must be maintained in "like-new" condition and shall be removed upon completion of the construction, marketing or community event activity.
 - c. Directional signage shall have a distinct and consistent character as determined by the Avimor Design Review Committee.
 - d. Pennants, flags or other attention-getting devices are allowed only for time-limited activities and by specific approval of the Avimor Design Review Committee.
3. The Avimor Design Review Committee shall have the authority to enact, amend and enforce detailed sign standards without the requirement to amend the Avimor Specific Plan.

K. Wildlife

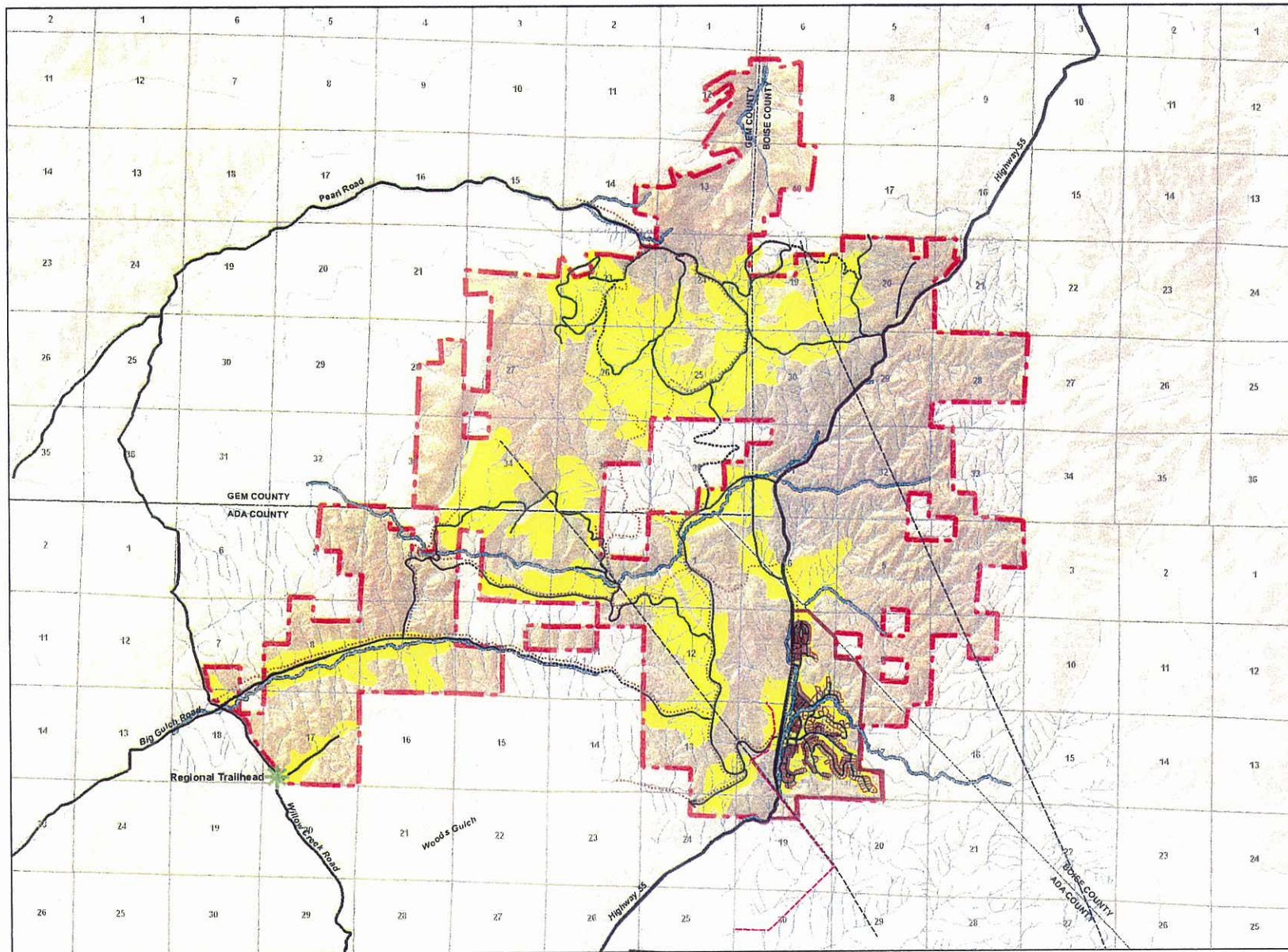
Through community standards and education, the potential for conflict between development and wildlife will be minimized.

- 1. Standards and Restrictions:
 - a. Feeding areas for domestic livestock and fowl will be in distinct, fenced enclosures that are off-limits to big game.
 - b. Livestock feed will be stored in big game-proof sheds or enclosures.
 - c. Pet food and feeding dishes must be in secure areas or enclosures.
 - d. Trash containers must be secured and kept within a structure except for the day of trash collection.

- e. Dogs will be confined to the home site except when on a leash and under the owner's control. Contractors will not bring dogs to the job site.
 - f. Bird feeders will be routinely cleaned to prevent the spread of disease.
- 2. Educational materials and community education programs will be provided at regular intervals, timed to seasonal concerns, in conjunction with the Department of Fish & Game and other resource agencies, as appropriate, as a continual reminder that:
 - a. Wildlife must be observed from a safe distance.
 - b. Normal wildlife activity must not be disturbed, including the "saving" of baby animals.
 - c. Domestic pets—dogs and cats—are a threat to wildlife and birds and state law prohibits domestic animal harassment of wildlife.
 - d. Big game animals should not be fed under any circumstances—unless in cooperation with, and under the direction of the Idaho Department of Fish & Game.
 - e. Certain homeowner landscape plantings are wildlife attractors and may need special protection from wildlife. Non-palatable landscape is encouraged on the home sites.
 - f. Protection of wildland habitat from destruction and wildfire is essential and any burning must be approved by the Eagle Fire District, and be monitored and controlled at all times.
 - g. Fireworks for personal use are prohibited at all times and in all areas of the Avimor Planned Community. Open flame fire pits are prohibited, unless authorized and controlled by the Avimor Community Association, the primary

entity responsible for administering the Residential Community at Avimor.

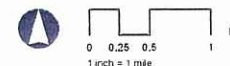
- h. Pathways and trails may be closed during winter months to protect wildlife during its most vulnerable period.
- 3. Wildlife habitat mitigation shall be achieved in accordance with the Avimor Wildlife Mitigation Plan developed in conjunction with the Idaho Department of Fish and Game.
 - a. A summary of mitigation actions shall be provided for each development phase as habitat impacts are identified.
 - b. Achievement of no-net-loss of habitat shall be cumulative over the entire project with the possibility that "credits" from earlier phases may be applied to the impacts of succeeding phases as long as there is no-net-loss of habitat.
 - c. Habitat mitigation progress shall be reported annually as an element of the Project Phase Monitoring Summary to be submitted to Ada County on or before March 1st for the preceding year.



Comprehensive Plan Amendment Map

- Application Boundary
- Avimor Specific Plan Area
- Existing Transmission Line
- Proposed Transmission Line
- Major Existing Road or Potential Road Corridor
- Possible Potential Road Corridor
- Trail Corridor
- Perennial Stream
- Ephemeral Stream

- Land Use District:
- Foothills Clustered Development
 - Foothills Conservation Development



Date: September 19, 2006



DESIGNWORKSHOP

120 East Main Street
Aspen, CO 81611
970.309.6172 main | 970.920.1387 fax
www.designworkshop.com

Department of Water Resources
APPLICANT'S

Exhibit 60

Date Admitted 11-1-06

DAN



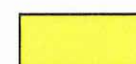









68

Net Density Summary

	DU*	ACRES	DU/AC
VILLAGE CENTER/VILLAGE RESIDENTIAL	505	104.7	4.8
FOOTHILLS RESIDENTIAL	179	148.9	1.2

* (REFER TO TABLE 5, SECTION B.14)

Legend

-  PLANNED COMMUNITY BOUNDARY
-  MIXED-USE VILLAGE CENTER
3.5 DU/AC MIN. - 5.0 DU/AC
(SEE ZONING MATRIX)
-  VILLAGE RESIDENTIAL
3.5 DU/AC MIN. - 8 DU/AC M
-  FOOTHILLS RESIDENTIAL
0.5 DU/AC MIN - 2 DU/AC M
-  COMMUNITY SERVICES
-  FOOTHILLS OPEN SPACE
-  VILLAGE OPEN SPACE
-  ELEMENTARY OR CHARTER SCHOOL
-  INTERIM FIRE STATION
-  WATER STORAGE RESERVOIR
-  PLANT NURSERY
-  WASTE WATER TREATMENT PLAN

THIS GRAPHIC WAS REVISED OCT 20, 2005.
AREAS AND ZONING BOUNDARIES DIFFER
FROM THE ORIGINAL P.C. APPLICATION
TEXT AND FIGURES.

Department of Water Resources
APPLICANT'S
Exhibit 61
Date Admitted 11-1-06

AVIMOR™

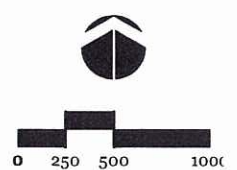
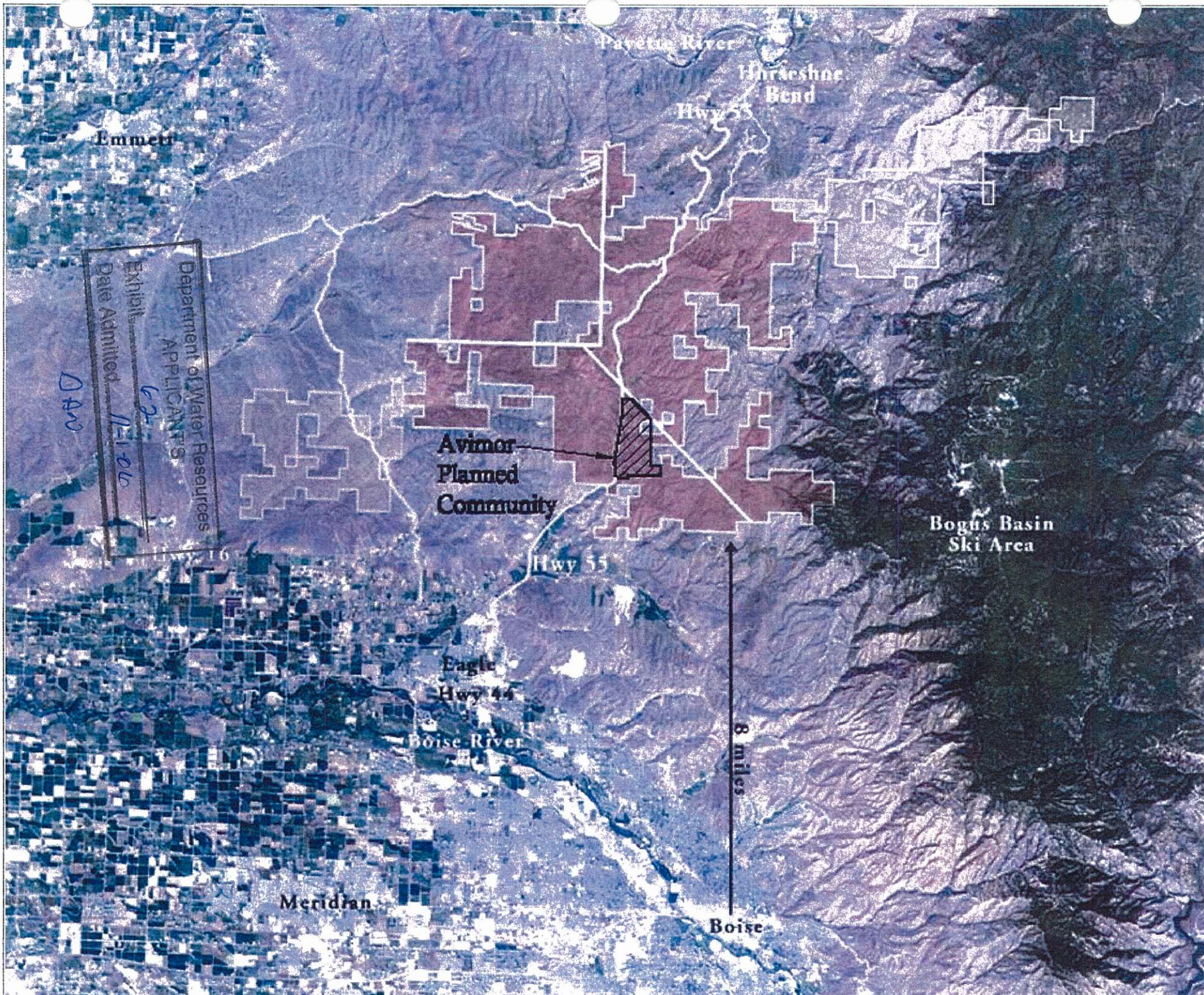


Figure 18



Department of Water Resources
APPLICANT'S

Exhibit 63

Date Admitted 11-1-06

DAN

ADA COUNTY RECORDER J. DAVID NAVARRO
BOISE IDAHO 01/24/06 04:47 PM
DEPUTY Neava Haney
RECORDED-REQUEST OF
Pioneer

AMOUNT 36.00 12

106012219

Recording Requested By and
When Recorded Return to:

HAWLEY TROXELL ENNIS & HAWLEY LLP
Attn: Brian L. Ballard
P.O. Box 1617
Boise, Idaho 83701

255123A

ADA COUNTY RECORDER J. DAVID NAVARRO
BOISE IDAHO 05/04/06 02:31 PM
DEPUTY Patti Thompson
RECORDED-REQUEST OF
Hawley Troxell Ennis & Hawley

AMOUNT 36.00 12

106069988

re-record

SPACE ABOVE THIS LINE FOR RECORDER'S USE ONLY

DECLARATION OF RESTRICTIONS AND EASEMENTS

THIS DECLARATION OF RESTRICTIONS AND EASEMENTS (this "Declaration") is made this 23rd day of January, 2006, by and among FIRST AMERICAN TITLE INSURANCE COMPANY, a California corporation, Phoenix, Arizona as "Subdivision Trustee" under that certain Subdivision Trust Agreement dated October 8, 2002, as has been and may be amended from time to time (the "Subdivision Trust"). SUNCOR IDAHO, LLC, an Idaho limited liability company, as assignee of the interest of SunCor Development Company, an Arizona corporation ("SunCor"), SPRING VALLEY LIVESTOCK COMPANY, INC., an Idaho corporation ("Spring Valley"), and COLIN McLEOD III and TERESA McLEOD, husband and wife (collectively, "McLeod") (Spring Valley and McLeod collectively referred to hereinafter as "Spring Valley/McLeod").

WHEREAS, Spring Valley/McLeod and SunCor have previously executed that certain Contribution Agreement, together with that certain Subdivision Trust Agreement (which resulted in the creation of the Subdivision Trust), both dated October 8, 2002. The parties evidenced such by executing and recording the following: Memorandum of Agreements (Ada County)-recorded October 22, 2002, as Instrument No. 102121552, Official Records of Ada County, Idaho; Memorandum of Agreements (Gem County), recorded October 22, 2002, as Instrument No. 225011, Official Records of Gem County, Idaho; and Memorandum of Agreements (Boise County), recorded October 22, 2002, as Instrument No. 187819, Official Records of Boise County, Idaho (collectively, the "Memorandums of Agreements"), Said Agreements and Memorandums of Agreements are incorporated herein by this reference thereto; and

WHEREAS, Spring Valley/McLeod and SunCor have previously amended the Contribution Agreement by means of a First Amendment of Contribution Agreement dated July 24, 2003. Simultaneously therewith, Spring Valley/McLeod, SunCor and First American Title Insurance Company in their capacities as First Beneficiary, Second Beneficiary and Trustee executed a First Amendment of Subdivision Trust Agreement. The parties evidenced the amendments to both documents by executing and recording the following: Memorandum of Amendments (Ada County) recorded July 25, 2003, as Instrument No. 103123649, Official Records of Ada County, Idaho; Memorandum of Amendments (Gem County), recorded August 21, 2003, as Instrument No. 231185, Official Records of Gem County, Idaho; and Memorandum of Amendments (Boise County), recorded July 25, 2003, as Instrument

DECLARATION OF RESTRICTIONS
AND EASEMENTS - 1

****RERECORDED TO CORRECT LEGAL DESCRIPTION.**

BOI_M12:604014.3

41397 0001.858957.5

No. 191846, Official Records of Boise County, Idaho (collectively, the "Memorandums of Amendments"); and

WHEREAS, Spring Valley/McLeod and SunCor, having discovered errors in the legal descriptions attached to the First Amendment of Subdivision Trust Agreement, the First Amendment of Contribution Agreement and the Memorandums of Amendments, corrected said errors with the recording of a Second Amendment to and Partial Waiver of Contribution Agreement (the "Second Amendment"), contemporaneously herewith; and

WHEREAS, pursuant to the Second Amendment certain properties have been withdrawn from the Subdivision Trust and otherwise retained by Spring Valley/McLeod; and

WHEREAS, upon the withdrawal and conveyances provided for under the Second Amendment, Spring Valley and/or McLeod will retain certain real property (hereafter the "Willow Creek Property") described more particularly herein in Schedule 1; and

WHEREAS, Spring Valley/McLeod and SunCor desire to provide for certain covenants and agreements with respect to the Willow Creek Property which will encumber the Willow Creek Property and run with the land.

NOW, THEREFORE, Spring Valley and McLeod do hereby make this declaration, and Spring Valley, McLeod and SunCor do hereby acknowledge that the Willow Creek Property shall be henceforth held, conveyed, reconveyed, encumbered, leased and used subject to the following covenants, conditions, rights, easements and restrictions agreed to by Spring Valley, McLeod, SunCor and the Subdivision Trustee, which agreement is acknowledged below:

1. **Definitions.** Except as otherwise specified herein, all of the terms in this Declaration shall have the meanings set forth in the Agreements, the Memorandum thereof, and the subsequent amendments thereto.

2. **Easements.** Spring Valley/McLeod do hereby grant to SunCor, acting solely for the benefit of the Subdivision Trust, such easements, on, over or across the Willow Creek Property as are reasonably required for the benefit of and development of Property remaining in the Subdivision Trust, for access, ingress and egress and/or utility placement, including, without limitation, for the installation, operation, maintenance, repair and replacement of roads and trails for vehicular, pedestrian and water drainage systems or structures, water mains, water delivery systems, telephones, communication lines, electrical conduits or systems, gas mains and other public or private utility services. The easements granted hereby shall also include, but not be limited to, all easements that are reasonably for the benefit of and development of Property remaining in the Subdivision Trust, including, but not limited to that real property located in the area known as "Big Gulch," as well as that certain real property held by the Subdivision Trust more particularly described as SW1/4 SE1/4, of Section 7, T5N, R1W, Boise Meridian, Ada County, Idaho. At any time and from time to time, SunCor shall have the right to relocate any utility line, facility or service installed pursuant to the foregoing grant of easements; provided, however, that any such relocation shall be at the expense of the relocating party, subsequent to

the reasonable approval of Spring Valley/McLeod, which approval shall not be unreasonably withheld, conditioned or delayed, and otherwise subject to the provisions of this Declaration. SunCor shall reasonably locate the easements so as to minimize the impact on Spring Valley/McLeod's or their assigns' ability to use, enjoy, market and develop the Willow Creek Property, and will cooperate with Spring Valley/McLeod in identifying and developing reasonable utility corridors (within planned rights of way when possible). Prior to the commencement of development of the Property, which will necessitate the development and granting of easements over, through and across the Willow Creek Property, SunCor shall provide written notice to Spring Valley/McLeod of its development plans, including preparation of legal descriptions of any easements that will be required in conjunction with the development of the Property. SunCor will work with Spring Valley/McLeod to locate all easements and utility requirements necessitated by Spring Valley/McLeod's development plans and applications within utility corridors. The parties agree they shall incorporate easements and utility corridors created hereby into the improvement plans and final plats for their respective properties as appropriate. In exercising their rights under this Section 2, SunCor and Spring Valley/McLeod shall mutually cooperate in the production of exact legal descriptions for all contemplated easements and utility corridors or relocations thereof. No lines, wires, or other devices for the communication or transmission of electric current or power including telephone, television, and radio signals shall be erected, placed or maintained by SunCor anywhere in or upon the Willow Creek Property unless the same shall be contained in conduits or cables and installed and maintained underground, except to the extent (if any) such underground or concealed placements may be prohibited by law, and except for such above-ground structures and/or media for transmission as may be otherwise reasonably approved by Spring Valley/McLeod; provided, however, that no provision hereof shall be deemed to forbid the erection of temporary power or telephone structures incident to the construction of buildings or structures and provided further that to the extent underground or concealed utility placements may be prohibited by law or may be technologically unfeasible in the case of electrical transmission lines, substations and other facilities, such lines, substations and facilities may be located above ground, but only with the prior written consent of Spring Valley/McLeod, such consent not to be unreasonably withheld, and only in such location as mutually agreed by SunCor and Spring Valley/McLeod. Notwithstanding anything contained in this Section 2 to the contrary, any and all easements granted hereunder: (i) shall be exercised solely for the benefit of the Willow Creek Property and for the benefit of the Property remaining in the Subdivision Trust; and (ii) within the Willow Creek Property shall be located in a single roadway corridor (that is, all utility placements shall be located within the right of way of a single roadway corridor), the location or relocation of which roadway corridor shall be subject to the prior approval of Spring Valley/McLeod, such approval not to be unreasonably withheld, conditioned or delayed. The location or relocation by SunCor of said roadway corridor and any utility placements therein by SunCor shall be at the sole cost and expense of SunCor.

3. Architectural Design Review and Approval. Spring Valley/McLeod do hereby grant to SunCor, acting solely for the benefit of the Subdivision Trust, the right to review and approve the architectural design for the consistency of any planned improvements on the Willow Creek Property, such approval not to be unreasonably withheld, delayed or conditioned. It is the

intent of both parties that development of the Willow Creek Property, shall be consistent with and complementary to the nature and quality of the planned community development of the Property in the Trust. Spring Valley/McLeod shall provide notice of proposed development of the Willow Creek Property and architectural themes for such to SunCor in conformance with Section 6(h) below. Spring Valley/McLeod shall provide sufficient information to SunCor, including but not limited to site plans, proposed elevations and proposed design standards to enable SunCor to review and approve Spring Valley/McLeod's proposed architectural design plans for the Willow Creek Property.

4. **Effect Upon Existing Agreements.** Subject to the covenants, conditions, rights, easements and restrictions set forth in this Declaration, the Willow Creek Property is hereby released from the Agreements, the First Amendments and Second Amendments, and memoranda thereof. However, nothing contained herein shall in anyway modify or amend the remaining duties, rights, and obligations of Spring Valley/McLeod or SunCor under the Agreements, the First Amendments and Second Amendments or the memoranda thereof or in any other instrument or agreement executed by the parties hereto. Provided, however, that the parties' consent to the provisions of this Declaration shall in no way modify their respective duties and obligations under the Subdivision Trust Agreement dated October 8, 2002, as has been and may be amended from time to time, except as expressly provided herein, nor shall such consent operate to impose any additional or greater duties, rights or obligations upon the Subdivision Trustee than those expressly set forth in the Subdivision Trust Agreement.

5. **General Provisions.**

a. **Covenants Run With the Land.** Each provision of this Declaration shall be a burden upon all of the Willow Creek Property, shall be appurtenant thereto, and shall be made for the benefit of SunCor, its successors and assigns, the Trustee, the Core Property and each part thereof and shall run with the land.

b. **Successors and Assigns.** This Declaration shall inure to the benefit of SunCor, its successors and assigns, the Trustee, and the Core Property, and shall be binding upon Spring Valley/McLeod and any person acquiring the Willow Creek Property, or any portion thereof, or any interest therein, whether by operation of law or otherwise.

c. **Injunctive Relief.** In the event of any violation or threatened violation by any person of any provision of this Declaration, SunCor, the Trustee and any owner succeeding to the interest of either SunCor or the Trustee, shall have the right to enjoin such violation or threatened violation in a court of competent jurisdiction. The right of injunction shall be in addition to all other remedies set forth in this Declaration or provided by law.

d. **Modification and Termination.** This Declaration may not be modified in any respect whatsoever or terminated, in whole or in part, except with the consent of the parties or their successors, and then only by written instrument duly executed and acknowledged and recorded in the office of the recorder of the county in which the Willow Creek Property is located.

e. **Not a Public Dedication.** Nothing herein contained shall be deemed to be a gift or dedication of any portion of any of the Property to the general public or for the general public or for any public purpose whatsoever, it being the intention of the parties that this Declaration shall be strictly limited to and for the purposes herein expressed.

f. **Breach Shall Not Permit Termination.** It is expressly agreed that no breach of this Declaration shall entitle any party to terminate this Declaration, but such limitation shall not affect in any manner any other rights or remedies which such party may have hereunder by reason of any breach of this Declaration. Any breach of this Declaration shall not defeat or render invalid the lien of any mortgage or deed of trust made in good faith for value, but this Declaration shall be binding upon and be effective against any party whose title is acquired by foreclosure, trustee's sale or otherwise.

g. **Default.** A party shall be deemed to be in default of this Declaration only upon the expiration of thirty (30) days from receipt of written notice from any party specifying the particulars in which such person has failed to perform the obligations of this Declaration unless such person, prior to the expiration of said thirty (30) days, has rectified the particulars specified in said notice of default. However, such person shall not be deemed to be in default if such failure (except a failure to pay money) cannot be rectified within said thirty (30) day period and such person is using good faith and its best efforts to rectify the particulars specified in the notice of default.

h. **Notices.** Wherever in this Declaration it shall be required or permitted that notice or any other communication be given or served by any party to this Declaration to or on the others, such notice or other communication shall be given or served and shall not be deemed to have been duly given or served unless in writing, and delivered personally, or deposited in the United States mail, certified with return receipt requested, postage prepaid, addressed as follows:

To SunCor:

SunCor Development Company
Attn: Duane Black
Vice President and Chief Operating Officer
80 East Rio Salado Parkway, Suite 410
Tempe, AZ 85281
Phone: (480) 317-6800

With a copy to:

SunCor Development Company
Attn: Bradley Wright
Corporate Counsel
80 East Rio Salado Parkway, Suite 410
Tempe, AZ 85281
Phone: (480) 317-6800

With a copy to:

SunCor Idaho, LLC
Attn: Bob Taunton
General Manager
485 E. Riverside Dr., Suite 300
Eagle, ID 83616
Phone: (208) 939-0343

Spring Valley and/or
McLeod:

Spring Valley Livestock Company, Inc.
Attn: Colin McLeod III
10393 West Floating Feather Road
Star, ID 83669
Phone: (208) 286-7975

With a copy to:

Jon T. Frye, CPA
Frye & Vauk, CPAs
P.O. Box 1360
702 S. 7th St.
Caldwell, ID 83605
Phone: (208) 459-0876

With a copy to:

Michael O. Roe
Moffatt Thomas Barrett Rock & Fields
101 S. Capitol Boulevard, 10th Floor
Boise, Idaho 83702
Phone: (208) 385-5438

or at such other address as may have been designated by one party and served upon the other. No Notice may be given by telephone, facsimile transmission or by e-mail. Notices and other communications to the Trustee shall be addressed as follows:

Trustee:

First American Title Insurance Company
4801 East Washington Street
Phoenix, Arizona 85034
Phone: (602) 685-7000

Delivery shall be considered to have been made (a) immediately, if served in person, or (b) 72 hours after the time of mailing, if deposited in the United States mail. A notice or any other item herein required to be served which is mailed and addressed to a party at the address set forth above shall be deemed served notwithstanding the fact that the party has changed representatives or has moved. A party may, by written notice to the other parties, change the address or the representative for notices to be sent to such party.

i. **Waiver.** The failure of a person to insist upon strict performance of any of the provisions contained herein shall not be deemed a waiver of any rights or remedies that

said person may have, and shall not be deemed a waiver of any subsequent breach or default in the performance of any of the provisions contained herein by the same or any other person.

j. **Attorneys' Fees.** In the event SunCor or Spring Valley/McLeod initiates or defends any legal action or proceeding in any way connected with this Declaration, the prevailing party in any such action or proceeding (in addition to any other relief which may be granted, whether legal or equitable), shall be entitled to recover from the losing party in any such action or proceeding its reasonable costs and attorneys' fees (including, without limitation, its reasonable costs and attorneys' fees on any appeal). All such costs and attorneys' fees shall be deemed to have accrued on commencement of any legal action or proceeding and shall be enforceable whether or not such legal action or proceeding is prosecuted to judgment.

k. **Severability.** If any term or provision of this Declaration or the application of it to any person or circumstance shall to any extent be invalid or unenforceable, the remainder of this Declaration or the application of such term or provision to persons or circumstances, other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term and provision of this Declaration shall be valid and shall be enforced to the extent permitted by law.

l. **Not a Partnership.** The provisions of this Declaration are not intended to create, nor shall they be in any way interpreted or construed to create, a joint venture, partnership, or any other similar relationship between the parties, except to the extent any such relationship exists pursuant to the Agreements.

m. **No Third Party Beneficiary Rights.** This Declaration is not intended to create, nor shall it be in any way interpreted or construed to create, any third party beneficiary rights in any person not a party hereto.

n. **Captions and Headings.** The captions and headings in this Declaration are for reference only and shall not be deemed to define or limit the scope or intent of any of the terms, covenants, conditions or agreements contained herein.

o. **Entire Agreement.** This Declaration contains the entire agreement between the parties hereto and supersedes all prior agreements, oral or written, with respect to the subject matter hereof. The provisions of this Declaration shall be construed as a whole and not strictly for or against any party.

p. **Construction.** In construing the provisions of this Declaration and whenever the context so requires, the use of a gender shall include all other genders, the use of the singular shall include the plural, and the use of the plural shall include the singular.

q. **Joint and Several Obligations.** In the event any party hereto is composed of more than one (1) person, the obligations of said party shall be joint and several.

r. **Recordation.** This Declaration shall be recorded in the office of the recorder of the county in which the Willow Creek Property is located

s. **Unreasonable Interference.** Both SunCor and Spring Valley/McLeod, for themselves and their respective grantees, covenant and agree not to exercise their rights under this Declaration in such manner so as to unreasonably interfere with each other's use, enjoyment or development of the Core or the Willow Creek Property, or of any easements benefiting any such property, or so as to impose any unreasonable financial burden or delay on the other party.

IN WITNESS AND EXECUTION WHEREOF, the parties hereto have set their hands on the day and date first above written.

SUNCOR:

SUNCOR IDAHO, LLC,
an Idaho limited liability company

By: DSB
Its: C.O.O.

SPRING VALLEY:

SPRING VALLEY LIVESTOCK COMPANY,
INC, an Idaho corporation

By: Colin McLeod III
Its: pro.

McLEOD:

Colin McLeod III
COLIN McLEOD III
Teresa McLeod
TERESA McLEOD

SUBDIVISION TRUSTEE:

FIRST AMERICAN TITLE INSURANCE
COMPANY, a California corporation, as Trustee
under that certain Subdivision Trust Agreement
dated October 8, 2002,

By: May Lin Carlson
Name: May Lin Carlson
Title: Asst. Secretary

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this 18 day of January, 2006, before me, Gail Sanchez,
a Notary Public in and for said State, personally appeared Buane S. Black,
known to me to be C.O.O. of SUNCOR IDAHO, LLC, the Idaho
limited liability company that executed the within instrument or the person who executed the
instrument on behalf of said corporation, and acknowledged to me that such corporation
executed the same.

WITNESS MY HAND and official seal hereto affixed the day, month and year in this
certificate first above written.

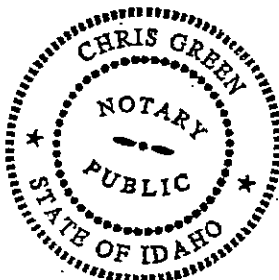


Gail Sanchez
Notary Public for the State of Arizona
Residing at Phoenix, AZ
My commission expires 4-30-09

STATE OF IDAHO)
) ss.
County of Ada)

On this 19th day of January, 2006, before me, Chris Green,
a Notary Public in and for said State, personally appeared Colin McLeod III,
known to me to be President of SPRING VALLEY LIVESTOCK
COMPANY, INC., the corporation that executed the within instrument or the person who
executed the instrument on behalf of said corporation, and acknowledged to me that such
corporation executed the same.

WITNESS MY HAND and official seal hereto affixed the day, month and year in this
certificate first above written.



Chris Green
Notary Public for the State of Idaho
Residing at Boise, ID
My commission expires 3/20/06

DECLARATION OF RESTRICTIONS
AND EASEMENTS - 9

BOI_M12:604014 3

41397 0001 858967 5

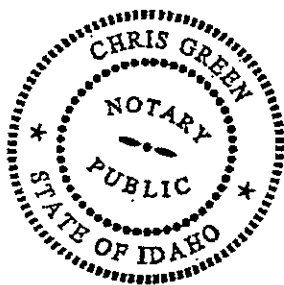
STATE OF IDAHO)

) ss.

County of Ada)

On this 19th day of January, 2006, before me, Chris Green,
a Notary Public in and for said state, personally appeared COLIN McLEOD III known or
identified to me to be the persons whose names are subscribed to the foregoing instrument, and
acknowledged to me that they executed the same.

WITNESS MY HAND and official seal hereto affixed the day, month and year in this
certificate first above written.



Chris Green
Notary Public for the State of Idaho
Residing at Boise, ID
My commission expires 3/20/06

STATE OF ARIZONA)

) ss.

County of Maricopa)

On this 18 day of January, 2006, before me, Gail Sanchez,
a Notary Public in and for said state, personally appeared TERESA McLEOD, known or
identified to me to be the persons whose names are subscribed to the foregoing instrument, and
acknowledged to me that they executed the same.

WITNESS MY HAND and official seal hereto affixed the day, month and year in this
certificate first above written.



Gail Sanchez
Notary Public for the State of Arizona
Residing at Phoenix, AZ
My commission expires 4-30-09

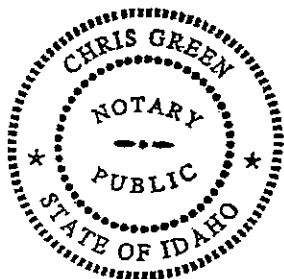
STATE OF IDAHO)

County of Ada)

) ss.

On this 20th day of January, 2006, before me, Chris Green,
a Notary Public in and for said State, personally appeared Margie Carlson,
known to me to be Asst Secretary of FIRST AMERICAN TITLE
INSURANCE COMPANY, the corporation that executed the within instrument or the person
who executed the instrument on behalf of said corporation, and acknowledged to me that such
corporation executed the same.

WITNESS MY HAND and official seal hereto affixed the day, month and year in this
certificate first above written.



Chris Green
Notary Public for the State of Idaho
Residing at Burien, ID
My commission expires 3/20/06

SCHEDULE I

WILLOW CREEK PROPERTY

All portions of the following parcels located northeast of Willow Creek Road in Ada County, Idaho:

SE1/4SW1/4 of Section 7, T5N, R1E, Boise Meridian, Ada County, Idaho

NW1/4SW1/4 of Section 17, T5N, R1E, Boise Meridian, Ada County, Idaho

NE1/4SE1/4, SE1/4NE1/4, NW1/4NE1/4, NE1/4NW1/4 of Section 18, T5N, R1E, Boise Meridian, Ada County, Idaho



First American
Title Insurance Company

JOHN KENNEDY GRAHAM
REGIONAL COUNSEL

November 1, 2006

Department of Water Resources
APPLICANT'S
Exhibit <u>64</u>
Date Admitted <u>11-1-06</u>

DAN

Bob Taunton
SunCor Idaho, LLC
485 East Riverside Drive, Suite 300
Eagle, ID 83616

RE: First American Title Insurance Company Trust Number 8562

Dear Mr. Taunton:

Please be advised that SunCor Development Company, an Arizona Corporation, is the second beneficiary under the above referenced trust.

Under the Declaration of Covenants, Conditions and Restrictions dated January 23, 2006 SunCor Idaho, LLC as the successor and assignee of SunCor Development Company was granted the right by either AR Boise, LLC or SRV Trust a perpetual easement and exclusive and unrestricted right to develop and locate within SRV property or ARB properties water wells and water distribution systems and to secure water rights within the SRV property and the ARB properties including the placement of a certain number of wells.

If you have any questions, please feel free to contact me.

Sincerely,

John K. Graham
Regional Counsel

JKG:hg

Protestant's
Exhibits

Judith M. Brawer (ISB # 6582)
1502 N. 7th Street
Boise, ID 83702
208-871-0596 (phone)
208-343-2070 (fax)

Attorney for Protestants

**BEFORE THE DEPARTMENT OF WATER RESOURCES
OF THE STATE OF IDAHO**

IN THE MATTER OF APPLICATION FOR PERMIT NO. 63-32061 IN THE NAME OF SUNCOR IDAHO, LLC))))	PROTESTANTS' LIST OF WITNESS AND EXHIBITS
---	------------------	--

Protestants, ROD DAVIDSON, LYLE MULLINS and GARTH BALDWIN

("Protestants") submit the following list of witnesses and exhibits that it may present at the hearing in this matter:

WITNESS LIST

Protestants may call the following witnesses at hearing in this matter in its case-in-chief:

Name	Title	Summary of expected testimony
<u>Protestants' Witnesses</u>		
Rod Davidson	Protestant	Mr. Davidson will testify regarding the issues raised in his protest, including, but not limited to, the completeness of the water right application, the local public interest and the sufficiency of water availability.
Lyle Mullins	Protestant	Same
Garth Baldwin	Protestant	Same

<u>SunCor Idaho LLC and IDWR (Adverse Witnesses)</u>		
Steve Lester	IDWR	Mr. Lester will testify regarding the issues raised in his comments and memorandums in the provided exhibits and the Administrative Record.
Glen Saxton	IDWR	Mr. Saxton will testify regarding the issue of municipal water users, as discussed in several memorandums in the provided exhibits and the Administrative Record.
Jeff Peppersack	IDWR	Same
Shelly Keen	IDWR	Same
Terry Scanlan	SPF Water Engineering, LLC and SunCor's Consultant	Mr. Scanlan will testify about the status of the municipal water user process, water quantity and other issues related to the water right application.
Bob Taunton	SunCor Idaho LLC	Mr. Taunton will testify about the status of the municipal water user process, the ownership of the lands of the existing and proposed wells, and any agreement with other land owners concerning water usage.
John Westra	IDWR	Mr. Westra will testify about any agreements between SunCor and other landowners concerning water usage.

Protestants further designate all other witnesses identified or called by any other party, and hereby reserve the right to call other witnesses for impeachment or rebuttal.

PROTESTANTS' EXHIBITS


Protestants may offer the following exhibits in its case-in-chief at the hearing in this matter:

- A. All documents contained in the Protestants' Exhibit List, attached hereto.

- B. All exhibits designated by the Idaho Department of Water Resources, SunCor Idaho LLC or by any other Applicant, Protestant or Intervenor in this matter.
- C. All exhibits introduced by any other party at the hearing.
- D. All documents within the file for water right #63-32061, located on the IDWR website and in the IDWR office. Protestants assume that these documents are already part of the administrative record and therefore do not need to be identified as exhibits.
- E. Protestants reserve the right to present undisclosed exhibits for impeachment or rebuttal.

DATED: October 23, 2006

Respectfully Submitted,




Judith M. Brawer
Attorney for Protestants

CERTIFICATE OF SERVICE

I hereby certify that on this 23rd day of October 2006, I caused a true and correct copy of the foregoing PPROTESTANTS' LIST OF WITNESSES AND EXHIBITS, and A COPY OF EACH EXHIBIT, to be served on the following persons via HAND DELIVERY

Albert P. Barker
BARKER ROSHOLT & SIMPSON LLP
205 N. Tenth St., Suite 520
Boise, Idaho 83701-2139

Glen Saxton, Hearings Officer
C/o Debbie Gibson
IDWR
322 E. Front Street
Boise, ID 83702



Judith M. Brawer

RECEIVED

FEB 22 2005

FORM 202

Ident. No. 63-31966

RECEIVED

MAY 21 2004

WATER RESOURCES
WESTERN REGION

Department of Water Resources

STATE OF IDAHO

DEPARTMENT OF WATER RESOURCES

APPLICATION FOR PERMIT

To appropriate the public waters of the State of Idaho

Department of Water Resources
PROTESTANT'S
B

Exhibit

Date Admitted 10-31-06
DAW1. Name of Applicant SunCor Idaho, LLCPhone (208) 939-0343Mailing address 485 East Riverside Drive, Suite 300, Eagle, ID 836162. Source of water supply ground water which is a tributary of _____3. Location of point of diversion is Township 5N Range 1E Sec. 1 in the _____ 1/4,
SE 1/4, SE 1/4, Govt. Lot _____, B.M., Ada 4.6 4.7County; additional points of diversion if any: SESE of Section 1, T5N R1E; NWSW and SWSW of Section 6, T5N R2E; NWSE and SESE of Section 7, T5N R2E; SWNE of Section 18, T5N R2E.

4. Water will be used for the following purposes:

Amount 5.0 cfs for municipal purposes from 1/1 to 12/31 (both dates inclusive)
(cfs or acre-feet per annum)Amount _____ for _____ purposes from _____ to _____ (both dates inclusive)
(cfs or acre-feet per annum)Amount _____ for _____ purposes from _____ to _____ (both dates inclusive)
(cfs or acre-feet per annum)Amount _____ for _____ purposes from _____ to _____ (both dates inclusive)
(cfs or acre-feet per annum)Amount _____ for _____ purposes from _____ to _____ (both dates inclusive)
(cfs or acre-feet per annum)5. Total quantity to be appropriated is (a) 5.0 and/or (b) _____

cubic feet per second

acre feet per annum

6. Proposed diverting works:

a. Describe type and size of devices used to divert water from the source Seven wells with electric pumps.b. Height of storage dam _____ feet; active reservoir capacity _____ acre-feet; total
reservoir capacity _____ acre-feetc. Proposed well diameter is 6 to 16 inches; proposed depth of well is 500 feetd. Is ground water with a temperature of greater than 85°F being sought? Noe. If well is already drilled, when? 3/03, 4/04; Drilling firm Hiddleston & Sons Inc., Riverside, Inc;Well was drilled for (well owner) SunCor Development Co.; Drilling Permit No. D0029075, D00308907. Time required for completion of works and application of water to proposed beneficial use is 5 years (minimum 1 year)

8. Description of proposed uses (if irrigation only, go to item 9):

a. Hydropower; show total feet of head and proposed capacity in kW. _____

b. Stockwatering; list number and kind of livestock. _____

c. Municipal; show name of municipality. Spring Valley Ranch (an unincorporated planned community)

d. Domestic; show number of households. _____

e. Other; describe fully. _____

Exhib.
P2

9. Description of place of use:

a. If water is for irrigation, indicate acreage in each subdivision in the tabulation below.

b. If water is used for other purposes, place a symbol of the use (example: D for Domestic) in the corresponding place of use below. See instructions for standard symbols.

TWP	RGE	SEC	NE				NW				SW				SE				TOTALS
			NE	NW	SW	SE	NE	NW	SW	SE	NE	NW	SW	SE	NE	NW	SW	SE	
6N	1E	36													M		M	M	
6N	2E	31	M	M	M	M	M		M	M	M	M	M	M	M	M	M	M	
		32											M						
5N	1E	1	M	M	M	M	M	M	M	M	M	M	M	M	M	M	M	M	
		12	M	M	M	M	M	M	M	M	M	M	M	M	M	M	M	M	
		13	M	M	M	M	M	M	M	M	M	M			M	M	M	M	
		24	M	M															
5N	2E	5						M	M			M	M						
		6	M	M	M	M	M	M	M	M	M	M	M	M	M	M	M	M	
		7	M	M	M	M	M	M	M	M	M	M	M	M	M	M	M	M	
		17						M	M			M	M	M		M	M	M	
		18	M	M	M	M	M	M	M	M	M	M	M	M	M	M	M	M	
		20	M	M	M	M	M	M	M	M	M	M	M	M	M	M	M	M	

Total number of acres to be irrigated _____

10. Describe any other water rights used for the same purposes as described above. NA

11. a. Who owns the property at the point of diversion? Applicant

b. Who owns the land to be irrigated or place of use? Applicant

c. If the property is owned by a person other than the applicant, describe the arrangement enabling the applicant to make this filing: NA

12. Remarks: See attached

13. **MAP OF PROPOSED PROJECT REQUIRED** - Attach an 8½"x11" map clearly identifying the proposed point of diversion, place of use, section #, township & range. (A photocopy of a USGS 7.5 minute topographic quadrangle map is preferred.)

BE IT KNOWN that the undersigned hereby makes this application for permit to appropriate the public waters of the State of Idaho as herein set forth.

Robert G. Leuninger, General Manager
Signature of Applicant (and title, if applicable)

Received by KG Date 5/21/04 Time 4:12 Preliminary check by KG Date 5/21/04
Fee \$ 410.00 Receipted by KG # 41031748
Publication prepared by AK Date 9-11-04 Published in THE IDAHO STATESMAN
Publication approved AK Date 9-7-04 ✓ MESSENGER INDEX

✓ IDAHO WORLD

Remarks. SunCor Idaho, LLC proposes appropriation of 5.0 cfs for municipal purposes to serve the Spring Valley Ranch planned unit development. Municipal uses will include domestic and irrigation for approximately 700 homes, commercial uses at retail and office facilities, fire protection, and other uses.

Seven points of diversion are anticipated initially. Three wells will be located east of Highway 55 in Spring Valley. These wells are anticipated to be 6-inch or 8-inch diameter, completed at depths ranging from 100 to 500 feet. Four wells will be located west of Highway 55. These wells are anticipated to be 6-inch to 16-inch diameter.. Water-bearing zone to be appropriated is 50 to 500 feet.

SunCor Idaho anticipates that it will form a water utility regulated by the Idaho Public Utilities Commission. The initial service area proposed for the utility will be the place of use described by this permit. SunCor Idaho anticipates filing with the Idaho Public Utilities Commission an application for Certificate of Convenience and Necessity to serve this area.

The lands within the place of use are currently owned or controlled by SunCor Development Company and are being developed for residential use by SunCor Idaho, LLC. SunCor Development Company is the parent company for SunCor Idaho LLC.

63-31966

Comment Report

63-31966

1. scurtis 7/29/2004 Legal Notice Remarks

Comment: Proposed use is for an unincorporated planned community in portions of Ada, Boise and Gem counties aka Spring Valley Ranch located between Shadow Valley Golf Course and Horseshoe Bend Hill along both sides of Hwy 55. Municipal use is for this service area of about 9 square miles. Water bearing zone to be appropriated from 2 existing and 5 proposed wells is from 50 to 500 feet. Applicant agrees to mitigate consumptive use in the future as needed.

2. slester 7/29/2004 Comment/Analysis

Comment: Two existing wells per tags D29075 and D30890 at \$200 paid per well drilling permit. Five other wells are proposed. All P/D are in Ada County but P/U is in Ada, Boise & Gem counties. Use application map to define municipal service area. Application can be processed but a decision cannot be issued until applicant shows it is a municipal provider (intent is not enough).

3. slester 2/17/2005 Comment/Analysis

Comment: Municipal provider issue in 7/29/04 Comment was overstated. Current information confirms dept. decision can be made using appropriate condition of approval to document municipal provider status at a later date. Also, acceptable to upgrade 2 exempted wells noted in prior comment. Applicant conducted drilling and testing under an MOU approved by IDWR administration. Activities were completed to IDWR satisfaction.

4. kwalker 3/3/2005 Permit Review

Comment: Application does not fall within any problem areas except B63 processing delay area - municipal rights exempt. Found several place of use overlaps on existing SRBA claims based on statutory claims which are for irrigation, domestic and stockwater purposes. Applicant is qualified to do business in the State of Idaho and has been in contact with IDEQ so no need to require additional information. Applicant submitted large diversion information. Recommend approval as described by region.

Department of Water Resources
PROTESTANT'S
Exhibit <u>C</u>
Date Admitted <u>10-31-06</u>

DAN

Exhib.
P
3

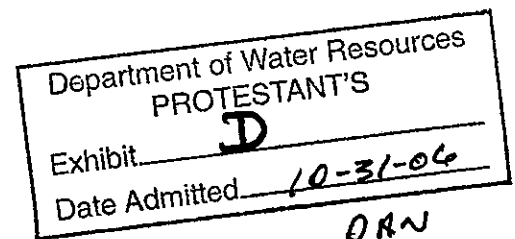
MEMORANDUM

TO: File

FROM: Steve Lester *SL*

DATE: February 15, 2005

RE: SunCor Idaho LLC Application 63-31966 Conditions of Approval



The proposal is summarized by the applicant's remarks, the legal notice, database comments and the attached summary for this planned community north of Eagle along Hwy 55. Both protests were withdrawn. A request to intervene was denied on 1/6/2005. The application can be approved.

As noted in the attached notes, the applicant provided sufficient information in response to IDWR's 8/6/2004 letter. See the consultant's reply received on 10/5/2004. The file information indicates the application proposes a regular municipal right, not one based on RAFN. Based on the latest IDWR thinking, SunCor does not have to show that it already is a municipal provider before this application can be approved - an appropriate condition of approval can cover this.

A companion application proposes additional water referenced in the consultant's 10/5/2004 information. Application 63-32061 will be processed soon.

It seems odd that an entity might be approved to divert up to 10 cfs (sum of both SunCor filings) for an "instant town" in Basin 63 but that an individual could not obtain a new water permit to irrigate one acre in the same area without mitigating that minor use. However, Application 63-31966 is probably not the appropriate forum to rehash Basin 63 scenarios.

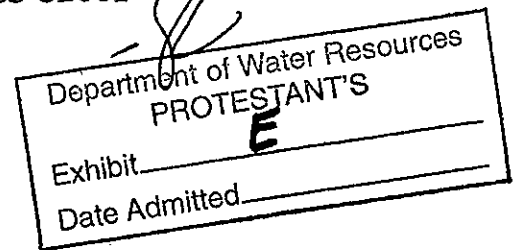
Proposed Condition of Approval for 63-31966

1. Apply standard conditions (well construction etc.) for municipal use.
2. Allow 5 years to file proof.
3. Use existing surface water rights first to the extent possible.
4. Water bearing zone of 50-500 feet.
5. P/U is the applicant's service area aka Spring Valley Ranch, an unincorporated planned community.

*Exhib.
P4*

6. Proposed condition about IPUC – see Jeff Peppersack's 2/14/2005 email.
7. Possible future mitigation.
8. Measuring devices for all P/D.
9. Remains subject to annual measurement/reporting in the future.

SUNCOR APPLICATIONS 63-31966 & 63-32061



Regular not RAFN applications.

5 cfs each.

Assumes ½ afa/home, water conservation.

Treated waste water to Spring Valley Creek or to subsurface drainfield disposal.

Use existing surface water.

Seeking IPUC cert, ok per SO proposed condition: document IPUC certification by time proof filed.

63-31966

- 5/2004
- up to 7 wells in P/U, 50-500 ft. water bearing zone
- requested additional info 8/2004 (as if large diversion)
- Scanlan reply 10/2004
 1. OK - project plans, cost, finances, contacts with counties & IDEQ, assume IPUC in process
 2. water supply - pump 100 afa Sandy Hill aquifer, supplement with 150 afa Spring Valley aquifer, covers D/500, Phase 1 = D/600-700, seek more water

63-32061

- 1/2005
- up to 6 wells west of P/U, Big Gulch Creek area, water bearing zone 200-1000 ft., prior info hints tributary to Payette River
- maybe aquifer recharge in P/U, divert out with 63-31966
- assume plans, cost, finances, contacts with counties, IDEQ & IPUC ok from 63-31966

2/15/05 exhib.
PS

- Processing

1. advertise Ada, Boise & Gem Counties as in 63-31966

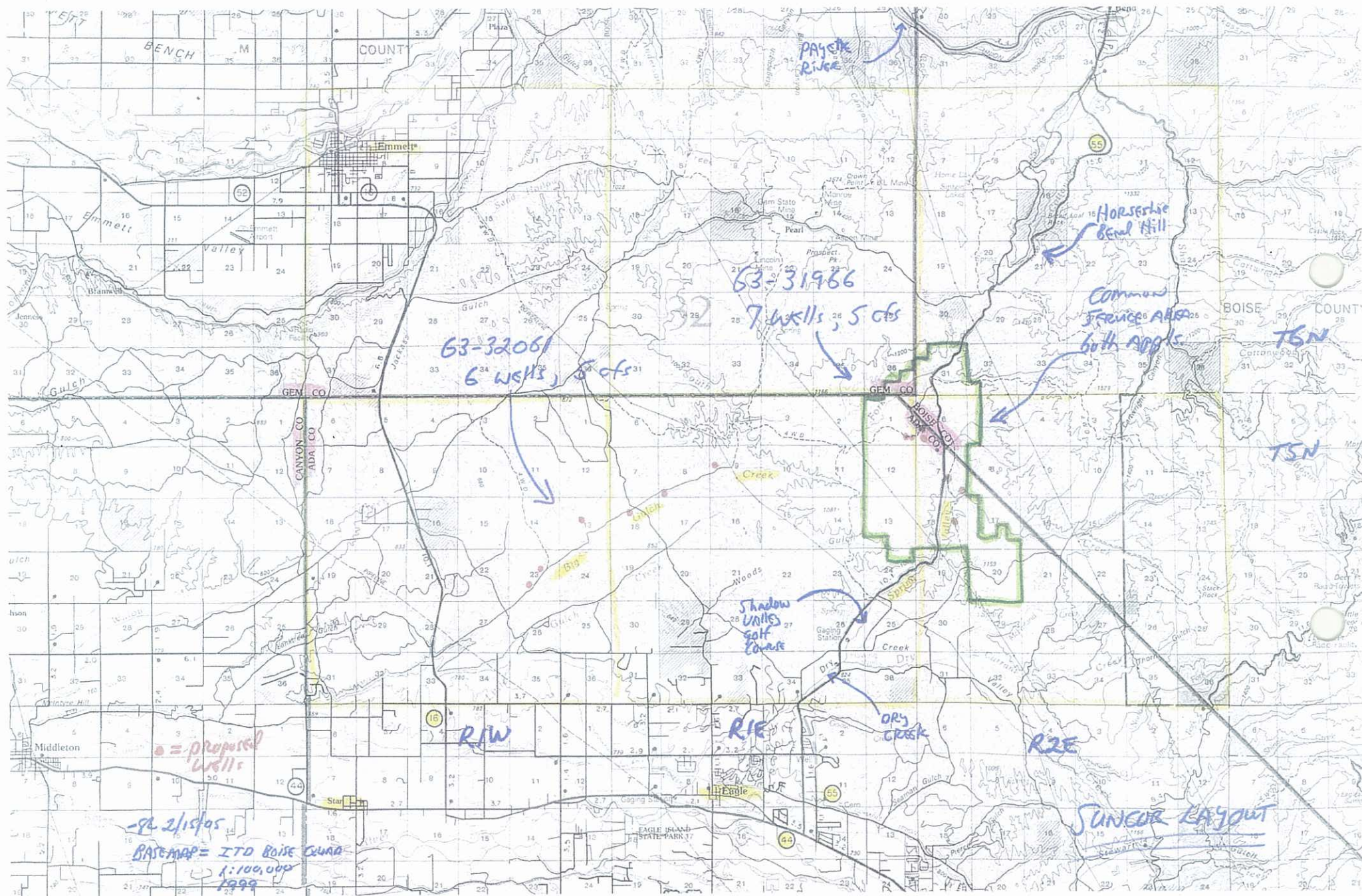
2. comment letters to protestants, Baldwin, IDEQ, IPUC ... others?

committee (email)

3. request from Scanlan:

- water supply data P/D area
- design/operation info to minimize injury
- tributary to Payette or Boise
- clarify P/D SENE Sec. 23 (map = SWNE)
- request to process form

wr processing/suncor appls
SL 2/15/05



94.2/15/05
BASEMAP = ITO Boise Quad
1:100,000
1999

63-31966
7 wells, 5 cfs

63-32061
6 wells, 8 cfs

Horseshoe Bend Hill

Common SPRING AREA
both APPS

Shadow Valley
Golf Course

DRY CREEK

R1W

R1E

R2E

JUNIOR LAYOUT

Proposed Wells

Lester, Steve

Department of Water Resources
PROTESTANT'S **F**

Exhibit _____
Date Admitted 10-31-06

DAV.

From: Peppersack, Jeff
Sent: Monday, February 14, 2005 10:44 AM
To: Lester, Steve
Subject: RE: SunCor Application 63-31966 municipal provider status

Steve,

If they are truly intending to qualify as a municipal provider for a corp. or assoc. holding a franchise (like United Water) under 42-202B(5b), then we may be able to approach this in a way similar to what we've done for others seeking to qualify as a public water supply regulated by DEQ under 42-202B(5c). See condition 134, we allow public water supplies regulated by DEQ to submit evidence at the time proof is submitted. Prior to issuing the permit, we require something from them to show that they have been in contact with DEQ and that they are pursuing proper regulation by DEQ. See attached memo for more details.

I spoke with Rick Sterling at IPUC and he said certification would be required prior to distributing and charging for water if they are a "for profit" company. He was somewhat familiar with this development and understands that they plan to be a company regulated by IPUC. If SunCor can provide something to show they are pursuing certification by IPUC, I think we can issue a permit with a condition requiring that they provide evidence of certification at the time proof is submitted. I suppose we could require the same prior to diversion, but we haven't done that for the DEQ public water supply developments.

Jeff



2005021410330534
2.pdf

Here's the text of 134

Prior to or in connection with the proof of beneficial use statement to be submitted for municipal water use under this right, the right holder shall provide the department with documentation showing that the water supply system is being regulated by the Idaho Department of Environmental Quality as a public water supply and that it has been issued a public water supply number.

Proposed for IPUC

Prior to or in connection with the proof of beneficial use statement to be submitted for municipal water use under this right, the right holder shall provide the department with documentation showing that the water supply system is being regulated by the Idaho Public Utilities Commission.

-----Original Message-----

From: Lester, Steve
Sent: Monday, February 14, 2005 8:49 AM
To: Peppersack, Jeff
Subject: SunCor Application 63-31966 municipal provider status

Jeff:

This application is for the large planned community proposed north of Eagle along Hwy 55. We discussed it last summer. The development company seeks a municipal permit & stated its intent to secure necessary approval from IPUC.

Where you & I left it was that it's okay to process but could not issue a decision until the applicant confirmed it is a municipal provider - intent & steps along the way to becoming a verified provider were not enough. My 8/6/04 letter to the applicant summarized this: "processing would continue but an IDWR decision about the application cannot be issued until the applicant verifies that it is a valid municipal provider under Idaho law."

Protests against the application were recently resolved. Scanlan is asking what's up. I'd like to tell him we will issue a decision once the applicant documents it is a valid municipal provider. I imagine Scanlan will come back with a request for approval with a condition that prohibits diversion until the provider status is approved by IPUC and documented to IDWR.

SunCor filed another application similar to the first one, not data entered yet. The same issue occurs. I didn't want to

Exhibit 16

send another letter about provic latus without checking with you again.

I'm not aware of anything that has changed since last summer. Do you still think SunCor needs to show it is a valid provider before we can issue a decision?

Thanks.

Steve

MEMORANDUM

DATE: August 15, 2003

TO: Jeff Peppersack and Glen Saxton

FROM: Shelley W. Keen (SWK)

RE: Application for Municipal Water Use

Department of Water Resources
PROTESTANT'S

Exhibit

Date Admitted 10-31-06

DAN

Northern region has been receiving a considerable number of applications for permit for municipal use in multiple ownership subdivisions. Other regions have received a few similar applications. The applications are submitted as "municipal" use rather than "domestic" use because the applicant purports to be a municipal provider under §42-202B(5)(c), *Idaho Code*, which defines a municipal provider as:

A corporation or association which supplies water for municipal purposes through a water system regulated by the state of Idaho as a "public water supply" as described in section 39-103(10), *Idaho Code*.

Developers, homeowners, or other individuals, who do not meet the requirement that a municipal provider must be a corporation or association, have submitted a number of the applications. We have handled this issue by asking the applicants to assign the application to an association or corporation registered with the Secretary of State to do business in Idaho.

A slightly more complicated issue, however, is that Bob Haynes was told by IDEQ that it does not necessarily issue a public water supply number until after the project is built and is serving water to the users. Therefore, it is not always possible for the water right applicants to provide IDWR with a document stating that they are public water suppliers. Bob Haynes and I discussed the matter, and we propose that a copy of correspondence from IDEQ showing that it has been contacted about the proposed municipal water use and that it is asserting jurisdiction over the well site, engineering plans and specs, etc., should be sufficient to demonstrate that the applicant is being regulated as a public water supply. The permit could be issued with a condition that the permit holder must provide a document from IDEQ with the public water supply number when submitting proof of beneficial use. The only possible drawback that we can see is that if the proposed subdivision materializes in a smaller form than anticipated, resulting in IDEQ never issuing a public water supply number, then the permit may have to be amended to show domestic use instead of municipal use. Is this approach acceptable to you?

Condition

#134

Exhib.

P2

RECEIVED

DEC 29 2004

WATER RESOURCES
WESTERN REGION

State of Idaho
Western Region Office
2735 Airport Way
Boise ID 83706

12/27/2004

Re: Water application #63-31966 (SunCor Idaho LLC) 13,000 Homes!!!!

Water Resources and State Of Idaho

We were unable to attend the meeting to address our concerns, regarding the above application, at time of posting. Enclosed please find letters and maps written by others that are also our view on the subject.

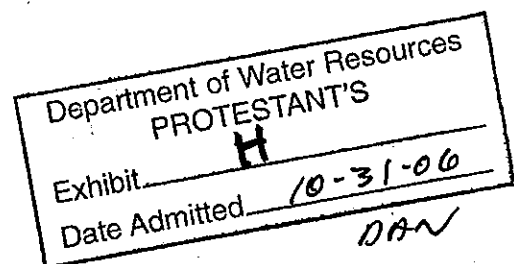
This very large subdivision is very draining on our water resources. It is Naïve to think that digging wells for thousands of new homes is not going to affect the water table. Eastern Idaho residents and farmers are going through nightmare conditions due to this problem.

Where is the research to prove this will not happen here? We are extremely concerned re the large number of wells already in place for this project. We agree with the enclosed letter writers that something must be done to protect the existing water rights of people long established in this area along with protecting the natural resources.

To start addressing the problem 5 – 10 years down the road would be extremely short sighted. We would appreciate all the information from you, regarding the steps you are taking to correct and oversee this already existing problem, and any ideas or plans on this subject.

Gemma Family Trust (Jim and Janice Barsby)
2610 Connolly Lane
Boise ID 83714

CC: Senator Larry Craig 225 N 9th Street
Boise ID 83702
Senator Mike Crapo 801 E Sherman Ste 178
Pocatello, ID 83201



Exhib.
PS

RECEIVED

DEC 29 2004

WATER RESOURCES
WESTERN REGION

To Whom It May Concern:

Nov. 29, 2004

I am writing you concerning the water application for 5 Cubic feet per second of domestic water use by SunCor out of Arizona. (Spring Valley Project)

They have drilled 12 wells up to this time from Hiway 55 to almost Hiway 16 which comprises of watersheds from Dry Creek & Little Willow Creek to the Big Gulch area, with very little success, other then a 2,000 gpm. well they drilled west of Hiway 55 in the Little Willow Creek drainage

The SCFS is over 3 Million gallons per day or over 90 Million gallons per month. This is suppose to handle their first phase of approx. 750 homes. (according their newspaper article they are projecting over 13,000 homes over several decades?)

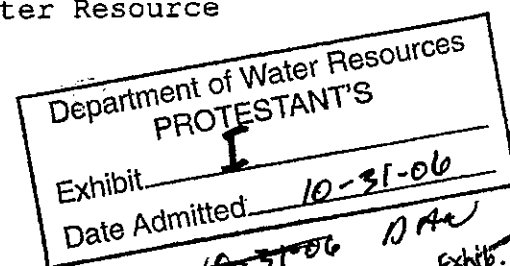
If they are going to need 17 times more water in the future, it is my opinion according to the map I have enclosed they will have a tremendous draw down on the domestic and irrigation water wells from Dry Creek drainage as well as any wells North of Floating Feather and West of Hi Way 55 to almost Hiway 16.) Being the Little & Big Gulch) Remember what happened around the Kuna and Meridian area where many owners had to deepen their existing wells because of the water table that has been receding, as well as the artesian flows around the Eagle area going down. The City of Eagle has filed a protest on this application and the time frame to protest has passed, but you can still file a letter to intervene to the water resource board about your concerns and they will keep you informed of this application.

They (SunCor) needs to have long term tests on these aquifers (1 to 2 years) in order to see what affect they do have before they are issued any permits.

It is my understanding that if it is approved, this (domestic right) would have priority over permitted irrigation wells because they feel domestic becomes a priority over irrigation rights? (this may be subject to mitigation?) You might want to get a direct answer from Water resource on this issue?

I have enclosed a map of where they have drilled wells and a copy of my letter to intervene concerning this application. Take time to write the State Water Resource board if you have any of the same concerns?

Garth Baldwin (A concerned citizen)



RECEIVED

State of Idaho
% Western Region Office
2735 Airport Way
Boise, Idaho 83706

Nov. 15, 2004

DEC 29 2004

WATER RESOURCES
WESTERN REGION

REF: Water application #63-31966 (correcter letter sent 11/29/04)
(SunCor Idaho LLC)

I was not aware & did not pick the above application out of the newspaper when it was advertised, but have many concerns and would like to intervene concerning this application & be kept informed of any decisions or public hearings or meetings that might be held on this application.

1. It is my understanding according to the well logs that I received from your department that they have drilled approx. 11 wells from East of Hi Way 55 & almost to HI Way 16 towards Emmett. Ranging from -0- water in some wells to 1 well west of Hiway 55 in the Little Willow creek drainage North of Eagle that they tested for a very short period of time of approx. 2,000 gallons per minute. (Most of the well logs range from -0- 100 gallons per minute, and from 80 feet to 1200 feet in depth.)

I feel that the State needs to look at the overall project which they say will have 13,000 homes and the long term affect on what they are proposing and examine the overall use of this project over several decades they said it would take to develop.


The tests on these wells before any permits are issued should be over a long period. According to the water engineers that I have visited with, no one knows the long term affect or capabilities of this source because it has not been tested. SunCors own water engineer studied the same formation of water North of this project and stated long term capabilities is only about 50% of well pumping capacity. (I guess whoever if paying the Piper is what the answer will be)

With the application for 5 cubic feet per second which is 2244 Gallons per minute times 60 minutes X 24 Hrs. per day is over 3 Million gallons per day which is over 96 million gallons per months times 12 months. They are saying this would handle the 1st. phase of approx. 700 homes. (?How much water will it take for 13,000 homes & the commercial & the work campus they that they are proposing?)

I am very concerned about the wells they are stating they are going to develop for first phase and its affect to water and wells North of this project which are already drilled on the Horsehoe Bend side of this source?

We do not want another Hagerman Valley (Thousand Springs) fiasco over the long term. Thank You for you consideration of Intervention.

Garth Baldwin



6050 Hi way 55, Horsehoe Bend, Idaho 83629



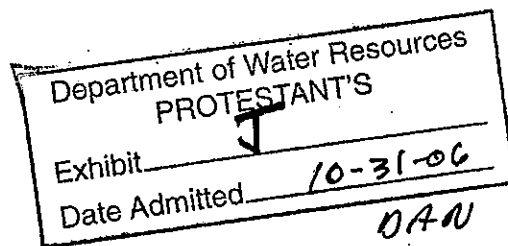
RECEIVED

OCT 05 2004

WATER RESOURCES
WESTERN REGION

October 1, 2004

Steve Lester
Water Rights Supervisor
Western Region Office
Idaho Department of Water Resources
2735 Airport Way
Boise, ID 83705



Subject: Application for Permit 63-31966 – SunCor Idaho LLC

Dear Steve:

In response to your letter of August 6, 2004, I have enclosed the following documents to address the five additional information items that were requested.

1. Memo from Terry Scanlan to Steve Lester - "Availability of Water and Potential Impacts of Water Supply Development Proposed Under Application for Permit 63-31966"
2. Memo from Terry Scanlan to Steve Lester - "Project Plans and Construction Costs – Application for Permit 63-31966"
3. Consolidated Financial Statements for SunCor Development Company and subsidiaries
4. Letter from Mike Wardle to Steve Lester documenting contacts with Ada, Boise, and Gem Counties
5. Email from Charles Ariss documenting contacts with IDEQ.

In addition to the specific information requests addressed above, your letter indicated that IDWR will be verifying that SunCor Idaho LLC qualifies as a valid municipal provider. You should be aware that SunCor Development Company has formed a new company called Highland Water Company to operate the proposed municipal water system. SunCor has met with Idaho Public Utilities Commission staff and commissioners to discuss their intent to become a regulated public utility. The Company anticipates submitting an application for certificate of convenience and necessity to serve the project in November. Per the definition in Idaho Code 42-202B(5)(c) the Company will be "A corporation or association which supplies water for municipal purposes through a water system regulated by the State of Idaho as a "public water supply" as described in section 39-103(10) Idaho Code." We feel confident that the proposed water system will meet this criterion.

Exhibit
910

Steve Lester

-2-

October 1, 2004

Please contact me with any questions or if you need additional information.

Sincerely,

A handwritten signature in cursive script, appearing to read "Terry M. Scanlan".

Terry M. Scanlan, P.E.

Cc: Bob Taunton
Al Barker

**SPF**

Water Engineering, LLC
water resource consultants

Memo

To: Steve Lester, IDWR Western Region Water Right Supervisor

From: Terry Scanlan, P.E., P.G. *TMS*

Date: September 30, 2004

**Subject: Availability of Water and Potential Impacts of Water Supply Development
Proposed Under Application for Permit 63-31966**

The first bullet item in your letter of August 6, 2004 regarding the above referenced application for permit requests the following:

"Information to show that the quantity of water proposed in the application is available from the aquifer without causing injury to other water right holders."

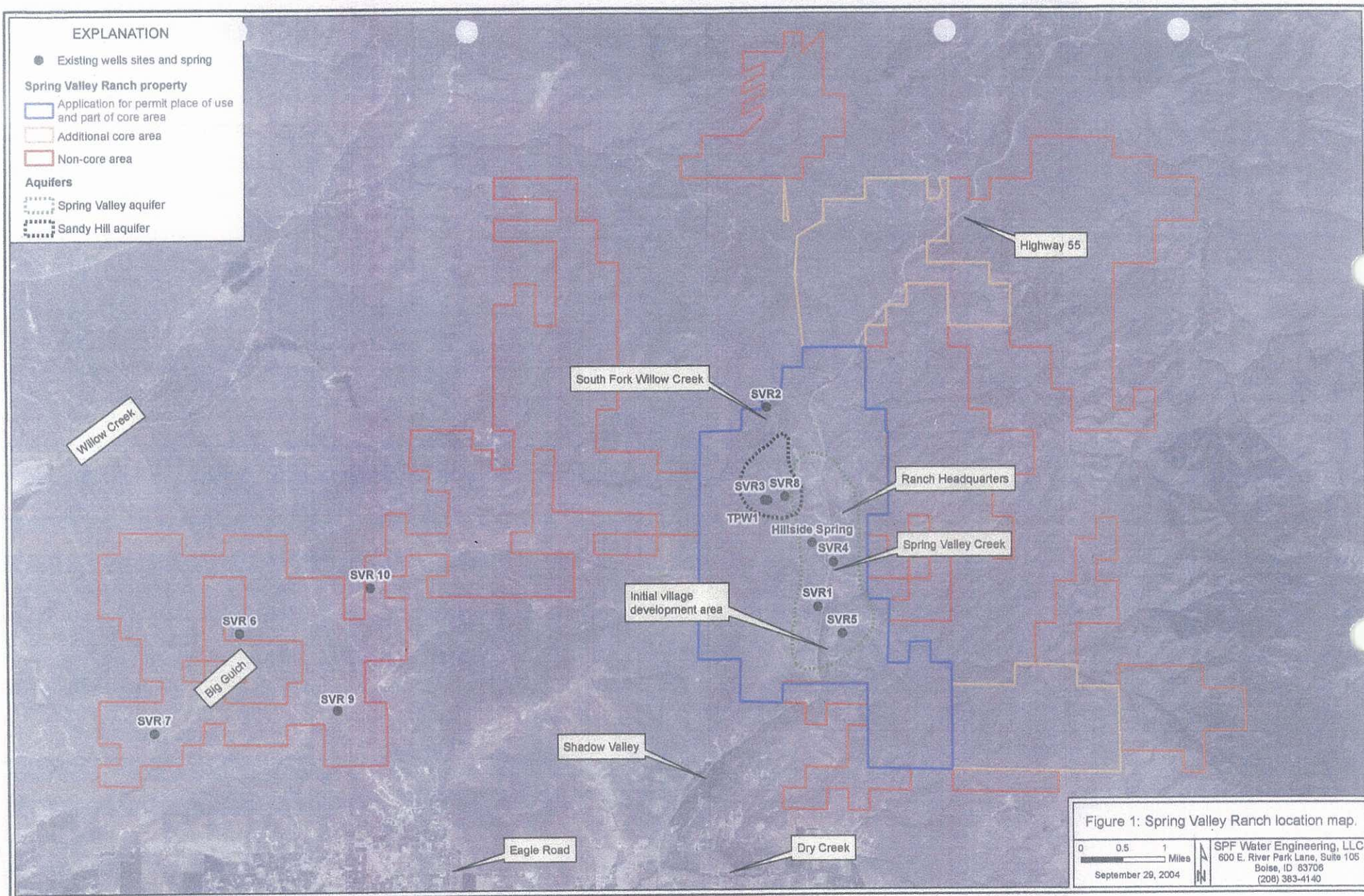
This memo (1) describes proposed water use under the Permit 63-31966, (2) characterizes the source of the water supply, and (3) describes why the contemplated water use will not cause injury to other water right holders.

PROPOSED WATER USE

Permit 63-31966 proposes groundwater withdrawals at a maximum diversion rate of 5 cfs for municipal purposes to serve the core area of the Spring Valley Ranch property (Figure 1). The core area of the property is found on along the Highway 55 corridor. The Ranch property extends for several miles to the east and west of core area.

The 5 cfs (2,244 gpm) diversion rate is a maximum pumping rate to be utilized for (1) filling water storage reservoirs, (2) meeting fire flow demands during a fire, and (3) meeting peak day water demands as the Spring Valley Ranch project builds out in the future. One or more storage reservoirs will be needed because the 5 cfs maximum diversion rate will be inadequate for both fire flow and peak-hour demands. For example, fire flow requirements for commercial structures may be 2,500 gpm or higher. We therefore currently plan to install at least one 500,000 gallon tank for the first phase of the project.

A maximum of seven well sites are proposed by the Application for Permit. We anticipate that two high capacity wells will be constructed at the Sandy Hill Aquifer. These wells probably will each be equipped with nominal 1,000 gpm pumps. Two or three wells will probably tap the Spring Valley Aquifer. These wells will be equipped with nominal 50 gpm pumps. The seven well sites proposed by the permit provide flexibility for locating wells.



Water conservation will be an important theme for this development. The Applicant, SunCor Development Company, has a proven record of developing low water use residential projects in the southwestern states of Arizona and New Mexico. They plan to utilize their water conservation experience in the design of the Spring Valley Ranch Project. As a result, SunCor anticipates that annual water use for the development will average less than 1/2 acre foot per home. To the maximum extent practical, SunCor will continue to use existing surface water irrigation rights appurtenant to the Spring Valley Ranch property.

CHARACTERIZATION OF WATER SUPPLY SOURCES

Geology and Groundwater Occurrence in the Spring Valley Area

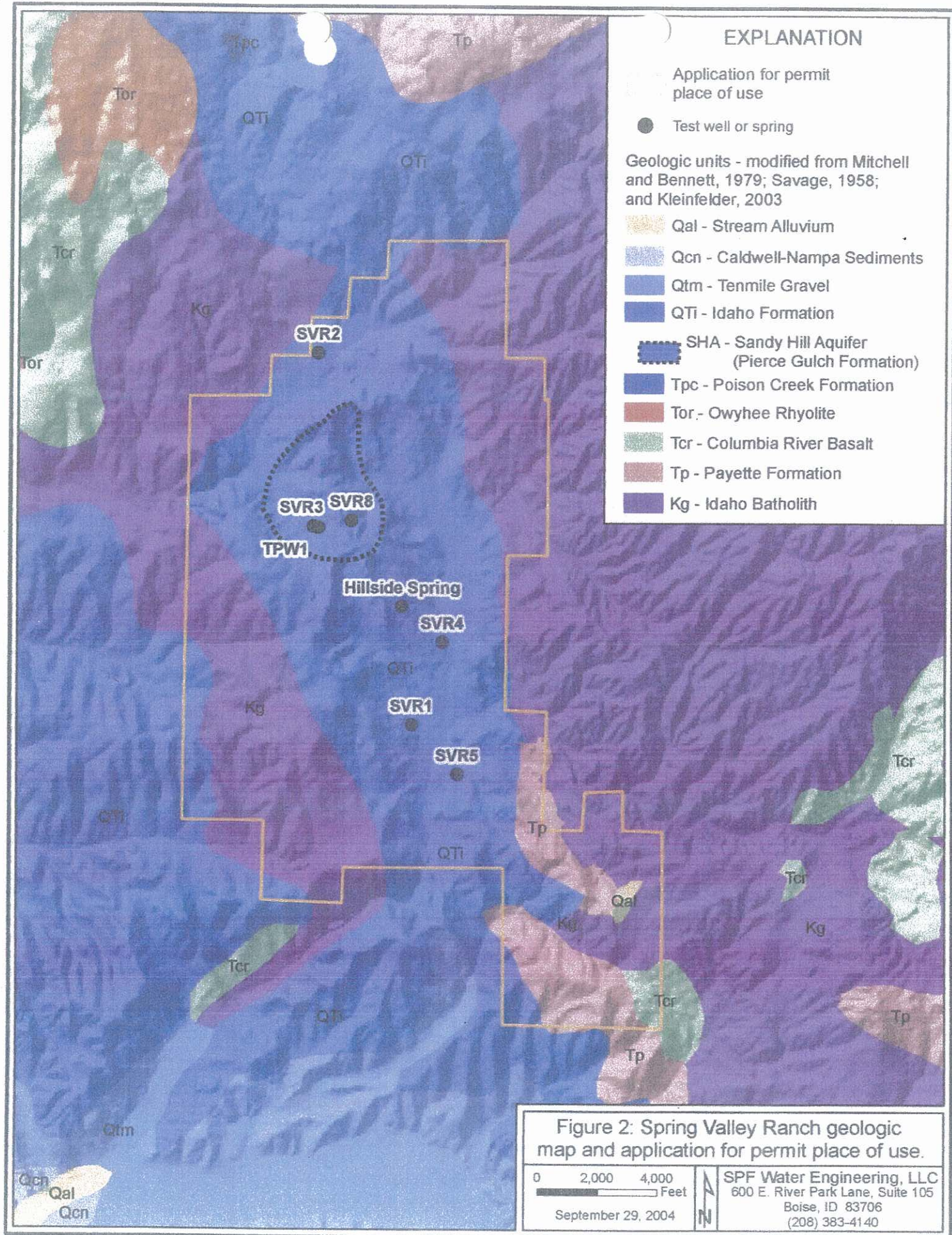
Groundwater occurrence within the Spring Valley property is controlled by geology and topography. In general, groundwater is found in permeable sedimentary aquifers and fractured rock aquifers. Depth to groundwater varies from more than 400 hundred feet in upland or western areas of the property, to near or above ground surface (i.e., flowing artesian) in the floor of Spring Valley.

Three primary hydrogeologic units are present within the core area of the Spring Valley Ranch property. The associated groundwater-bearing characteristics of these units are described below. Other rock units are shown on the geologic map (Figure 2), but these units are not significant within the place-of-use boundary proposed by Application for Permit 63-31966.

Tertiary-Age Sediments and Interbedded Volcanics of the Lower Idaho Group. Portions of Spring Valley and the South Fork Willow Creek Valley are underlain by sediments and interbedded volcanic rocks of the Lower Idaho Group. The Lower Idaho Group sediments in this area consist of mudstone, claystone, and ash beds, with occasional beds of fine-grained sandstone. The volcanic rocks generally include dark-colored felsic tuffs. Wells completed in these materials in the Spring Valley area typically yield 20 to 100 gpm.

Coarse-Grained Sediments of the Pierce Gulch Formation (Upper Idaho Group). In the foothills between Spring Valley Creek and South Fork Willow Creek, approximately one mile west of the Spring Valley Ranch headquarters, a coarse-grained sand of the Pliocene-age Pierce Gulch Formation caps older, low-permeability, sediments and volcanics of the Lower Idaho Group. These sands are clean and permeable, and a perched aquifer (i.e., the Sandy Hill Aquifer) is present in this unit.

Granite. As shown on Figure 2, granitic rock (including granodiorite, granite, and meta-granite) of the Idaho Batholith is present to the north, east, south, and southwest of Spring Valley. Although successful wells can occasionally be completed in fracture zones within granite, granitic rock aquifers generally do not yield sustainable groundwater supplies. The water-bearing characteristic of granite rock effectively



eliminates much of the Spring Valley Ranch property from consideration for public water system well development. This includes not only areas where granite is present at ground surface, but also areas where sediments or volcanic rocks are underlain by granite at relatively shallow depths.

Aquifers Proposed for Appropriation

Two aquifers are proposed for appropriation under this water right application. For purposes of discussion, these aquifers can be referred to as (1) the Sandy Hill Aquifer and (2) the Spring Valley Aquifer.

Sandy Hill Aquifer. As described above, the Sandy Hill Aquifer is located in the foothills approximately one mile west of the Spring Valley Ranch headquarters (Figure 1). At this location, the coarse-grained sand of the Pliocene-age Pierce Gulch Formation is at least 300 feet thick in places, and has a known saturated thickness of more than 100 feet. The sands are highly permeable and form a productive aquifer. The aquifer appears to be bounded by older, fine-grained sediments of the lower Idaho Group, and the aquifer discharges through fine-grained sand or sandstone at a hillside spring on the east side of Highway 55 in Spring Valley at a rate of approximately 50 gpm. The spring is perched nearly 200 feet above the floor of Spring Valley.

Three test wells (SVR No. 3, SVR No. 8, and Test Production Well No. 1) have been constructed in this aquifer, including a 16-inch diameter well (Test Production Well No. 1). This well was pumped at a rate of 2,000 gpm for three days in April 2004 with only 17 feet of drawdown. Details of this test are provided in Well Construction and Aquifer Testing in the Sandy Hill Area of Spring Valley Ranch (SPF Water Engineering, June 18, 2004).

The water quality from the aquifer is excellent in nearly all respects except for arsenic. Arsenic concentrations exceed the future drinking water standard of 0.010 mg/L. As a result, the water will need to be treated for municipal supply purposes.

The Sandy Hill Aquifer is highly productive and will be the primary aquifer to support the initial phase of the Spring Valley Ranch Project. While the aquifer appears to be capable of supporting short-term yields of more than 1000 gpm from multiple wells, the aquifer is small in size and annual natural recharge is limited to an estimated volume of 100 acre feet annually. As a result, the aquifer is adequate to sustain only 200 homes on a long-term basis. However, if recharged on an annual basis from other sources, the aquifer might be adequate to support peak summer demands for two thousand or more homes.

Spring Valley Aquifer. The valley floor area of Spring Valley is underlain by Idaho Group sediments and volcanic rocks to a depth of approximately 400 feet. These materials consist primarily of fine-grained sediments and volcanic tuffs. Water levels in the aquifer are controlled by the elevation of Spring Valley Creek, which functions as a drain for the aquifer.

Three test wells (SVR No. 1, SVR No. 4, and SVR No. 5) were completed in the Spring Valley Aquifer for exploration purposes. These wells were test pumped at constant rates ranging from 50 to 100 gpm. There is also an existing irrigation well at the ranch headquarters that is typically operated at rates of 75 to 100 gpm. The wells are described in Groundwater Exploration Drilling in the Spring Valley Ranch Vicinity of Gem, Ada, and Boise Counties, Idaho (Scanlan Engineering, April 2003) and Well Construction and Aquifer Testing of Spring Valley Ranch Exploration Well No. 5 (SPF Water Engineering, June 17, 2004).

Water quality from the wells completed in the Spring Valley Aquifer is acceptable for municipal purposes, but generally contains high concentration of iron and/or manganese.

Based on the low well yield and high concentrations of aesthetically objectionable iron and manganese, the Spring Valley Aquifer will likely be utilized as a secondary source of supply. The water may be treated to either remove or sequester iron and manganese. Assuming that three wells with average sustainable yields of 40 gpm were constructed, the aquifer might be capable of producing a total of approximately 150 acre feet annually. This volume of water will sustain approximately 300 homes on a long-term basis.

Sustainable Groundwater Supply

The first phases of Spring Valley Ranch will have 600 to 700 homes. Additional homes are anticipated in future phases. As described in the preceding paragraphs, the natural recharge to aquifers in the vicinity of Spring Valley is unlikely to sustain long-term water use for more than about 500 homes. Additional sources of water supply will need to be developed to serve the later phases of the Spring Valley Ranch project. The additional supplies could be used directly in the Spring Valley Ranch water system, or they could be used to recharge the Sandy Hill Aquifer during winter months when the excess supplies are available. These additional sources could be municipal supplies from the south, groundwater from aquifers outside of the initial phase of Spring Valley, or surface water from the Payette or Boise River drainages as described below.

- Municipal supplies (City of Eagle, United Water Idaho, or Eagle Water Company) are available in the Hidden Springs area in Dry Creek Valley and the Floating Feather area north of Eagle. These supplies could be conveyed into Spring Valley by pipeline and booster stations for direct municipal use or for winter-months recharge of the Sandy Hill Aquifer.
- Groundwater investigations in the western portion of the Spring Valley Ranch property (in the Little Gulch and Big Gulch drainages, approximately 4 to 8 miles west-southwest of Spring Valley) over the past two years have shown adequate aquifer capacity to support future phases of Spring Valley Ranch Project. These aquifers are tributary to the Payette River and are not in hydraulic connection with

Willow Creek due to their depth (i.e., static water levels are 300 to 500 feet below the stream level). We anticipate that these aquifers can be developed without impact to existing water rights in the area.

- Surface water supplies from the Payette River or Boise River could be piped into the project area and treated as appropriate for direct municipal use or aquifer recharge.

On-going planning efforts will select preferred water sources and pipe routes based on economic considerations and project development schedules. Development of additional groundwater sources or surface water sources will be conducted under future water right permit applications or water right transfer applications.

POTENTIAL FOR INJURY TO OTHER WATER RIGHT HOLDERS

Diversion of water under the proposed permit has little or no potential to impact other water right holders because of the remote and isolated location of the aquifers and the existence of hydrogeological barriers.

The closest wells to the project area are found in the vicinity of Shadow Valley Golf Course. These wells are approximately 3 miles to the south of the Sandy Hill Aquifer, and 2 to 3 miles south of the proposed Spring Valley wells. There are no wells owned by other water users tapping the Sandy Hill or Spring Valley Aquifers.

As shown on Figure 3, the water-level elevation in the Sandy Hill Aquifer is more than 100 feet below the stream bed elevation of South Fork Willow Creek. Surface geologic indications suggest that the aquifer does not extend below the stream channel. Since the water level in the aquifer is already far below stream bed elevation and the aquifer does not appear to extend beneath the creek, drawdown of the Sandy Hill aquifer (as a result of development of permit 63-3196) is unlikely to induce any leakage from South Fork Willow Creek. Therefore, downstream water rights in the Willow Creek drainage will not be impacted by the proposed water right permit. Similarly, the aquifer is perched 200 feet above Spring Valley, suggesting that the aquifer is hydraulically isolated from the Spring Valley Aquifer. Thus, pumping should not impact water levels in the Spring Valley Aquifer.

The Spring Valley Aquifer and Sandy Hill Aquifer are hydraulically isolated from aquifers in the Shadow Valley, Dry Creek, and Eagle areas by a northwest trending granodiorite rock mass that is exposed in the canyon between Shadow Valley golf course and Spring Valley. This rock mass is a portion of the Idaho Batholith and is exposed at the surface for several miles to the northwest of Highway 55 (Figure 2). To the southwest of Highway 55, the rock underlies unsaturated Idaho Group sediments. The effect of this low permeability rock unit is to function as a hydraulic barrier for groundwater flow from Spring Valley into Idaho Group aquifers further to the south. This conclusion is based on (1) typical low-permeability characteristics of granitic rock and (2) the presence of the Spring Valley Aquifer water levels at an elevation approximately 500 feet higher than

groundwater levels in Dry Creek Valley. Thus, pumping of aquifers in Spring Valley will have no interference impact with wells in the Dry Creek, Shadow Valley, or Eagle areas.

Pumping of the Sandy Hill Aquifer will eventually reduce discharge from the hillside spring that is tributary to Spring Valley Creek. Pumping of the Spring Valley Aquifer may reduce groundwater discharge to Spring Valley Creek. Thus, pumping from both the Sandy Hill Aquifer and the Spring Valley Aquifer may eventually reduce flow in Spring Valley Creek. However, discharge of treated wastewater (either directly to the stream under an NPDES permit or indirectly to the aquifer through subsurface drainfield disposal) should offset depletions to stream flow. Also, it should be noted that Spring Valley Ranch has the earliest priority irrigation water right from Spring Valley Creek.



Memo

To: Steve Lester, IDWR Western Region Water Right Supervisor

From: Terry Scanlan, P.E., P.G. *TMS*

Date: September 30, 2004

Subject: Project Plans and Construction Costs - Application for Permit 63-31966

The second bullet item in your letter of August 6, 2004 regarding the above referenced application for permit requests the following:

"Summary of project plans and specifications along with estimated construction costs for the project."

This memo describes the conceptual design and costs for the water system that is proposed to supply water diverted under Permit 63-31966.

Conceptual Water System Design Components. The following conceptual design components are contemplated.

- 2 wells (16-inch diameter) at the Sandy Hill Aquifer
- 2 well pump systems (1000 gpm) at the Sandy Hill Aquifer
- 2 wells (8-inch or 6-inch) and low-capacity well pumps (50 to 100 gpm) in Spring Valley
- arsenic treatment system for water from the Sandy Hill Aquifer
- 50,000 gallon operational storage tank at Sandy Hill Aquifer
- 500,000 gallon storage tank on west side of Spring Valley
- 500,000 gallon storage tank on east side of Spring Valley
- 2 pressure relief vaults
- 14,250 feet of 16-inch water main
- 500 feet of 12-inch water main
- distribution water mains, flow meters, services, and hydrants within the subdivision
- standby power source at Sandy Hill wells
- communication and controls

Conceptual diagrams of the proposed Sandy Hill Aquifer well field and core area water system are shown on the attached Figures 5-1 and 7-2 from the Spring Valley Ranch Water System Alternative Study (SPF Water Engineering, July 6, 2004). The concept is based on supply from the Sandy Hill aquifer source. The proposed wells in the Spring Valley Aquifer may be added to the system as needed.

Estimated Costs. Estimated costs for water system development are summarized on the attached table. Not included in this cost estimate are engineering and construction costs for distribution water mains, flow meters, services, and hydrants within the subdivision.

SPF Water Engineering
Spring Valley Ranch
 Budgetary Cost Estimate

Facilities Associated with Public Water System Development

Required Water Facilities	Size/Vol./Capacity	Units	Quantity	Unit Cost	Capital Cost	Engineering PM/Inspection	Total Cost
Source of Water Supply							
Sandy Hill Well - 1	1000 gpm	Each	1	250,000	250,000	37,500	287,500
Sandy Hill Well - 2	1000 gpm	Each	1	250,000	250,000	37,500	287,500
Treatment							
Arsenic Treatment Plant	200 - 300 gpm	Each	1	450,000	450,000	67,500	517,500
Transmission Mains							
Transmission Main	18-inch	Feet	14,250	\$ 66	\$ 939,900	141,000	1,080,900
Transmission Main	12-inch	Feet	500	\$ 44	\$ 22,000	3,300	25,300
Air Valves, Restrain Joints, etc. @5%					\$ 48,100	7,200	55,300
Storage Reservoirs							
SVR - East	500,000 gallons	Gallons	500,000	\$ 0.95	\$ 477,450	71,600	549,050
SVR - West	500,000 gallons	Gallons	500,000	\$ 0.95	\$ 477,450	71,600	549,050
OS, Sandy Hill	60,000 gallons	Gallons	60,000	\$ 2.00	\$ 120,000	18,000	138,000
Control Vaults							
PRV - 1	3.8-inch	Each	1	\$ 50,000	\$ 50,000	7,500	57,500
PRV - 2	3.8-inch	Each	1	\$ 50,000	\$ 50,000	7,500	57,500
Standby Power							
Sandy Hill Well Field	150kW	Each	1	\$ 50,000	\$ 50,000	7,500	57,500
Communication and Controls							
Scada, RTU's, Radio's, Appurtenances		LS	1	\$ 100,000	\$ 100,000	15,000	115,000
Regulatory/ Permitting							
Permitting and Legal		LS	1	\$ 100,000	\$ 100,000	-	100,000
Sub Total					\$ 3,384,900	492,700	3,877,600
Omission and Contingency@10%					\$ 338,500	\$ 49,300	387,800
Total Estimated Costs					\$ 3,723,400	\$ 542,000	4,265,400

Estimated Cost by Category	Capital	Engineering	Total
Source of Water Supply	500,000	75,000	575,000
Treatment	450,000	67,500	517,500
Transmission Mains	1,010,000	151,500	1,161,500
Storage Reservoirs	1,074,900	161,200	1,236,100
Control Vaults	100,000	15,000	115,000
Standby Power	50,000	7,500	57,500
Communication and Controls	100,000	15,000	115,000
Regulatory/Permitting	100,000	-	100,000
Omissions and Contingency	338,500	-	387,800
Total Estimated Project Costs	\$ 3,723,400	492,700	\$ 4,265,400

Cost included in above budgetary estimate:

1) Only those capital and engineering cost associated with water facilities required to serve the initial phase of Spring Valley Ranch, as outlined in the draft report, **Spring Valley Ranch - Water Supply Alternative Study** for development of the Sandy Hill aquifer and Core area

2) The cost estimates are conceptual and should be used for budget purposes only. An actual cost estimate will be completed during the pre-design phase of this project. The above costs may vary in the range of +135%(\$5,758,000) to 85%(3,626,000) of the total estimated cost

Costs not included in above cost estimate:

- 1) Electrical power cost associated with transmission and distribution line extensions to serve water facilities.
- 2) Design and construction of roads used for maintenance or access to water facilities
- 3) Engineering associated with formation of a regulated utility
- 4) Development of additional sources of supply in addition to the Sandy Hill aquifer.
- 5) Distribution facilities within the proposed subdivision, mains, meters, services, hydrants
- 6) Operation of the water system after construction

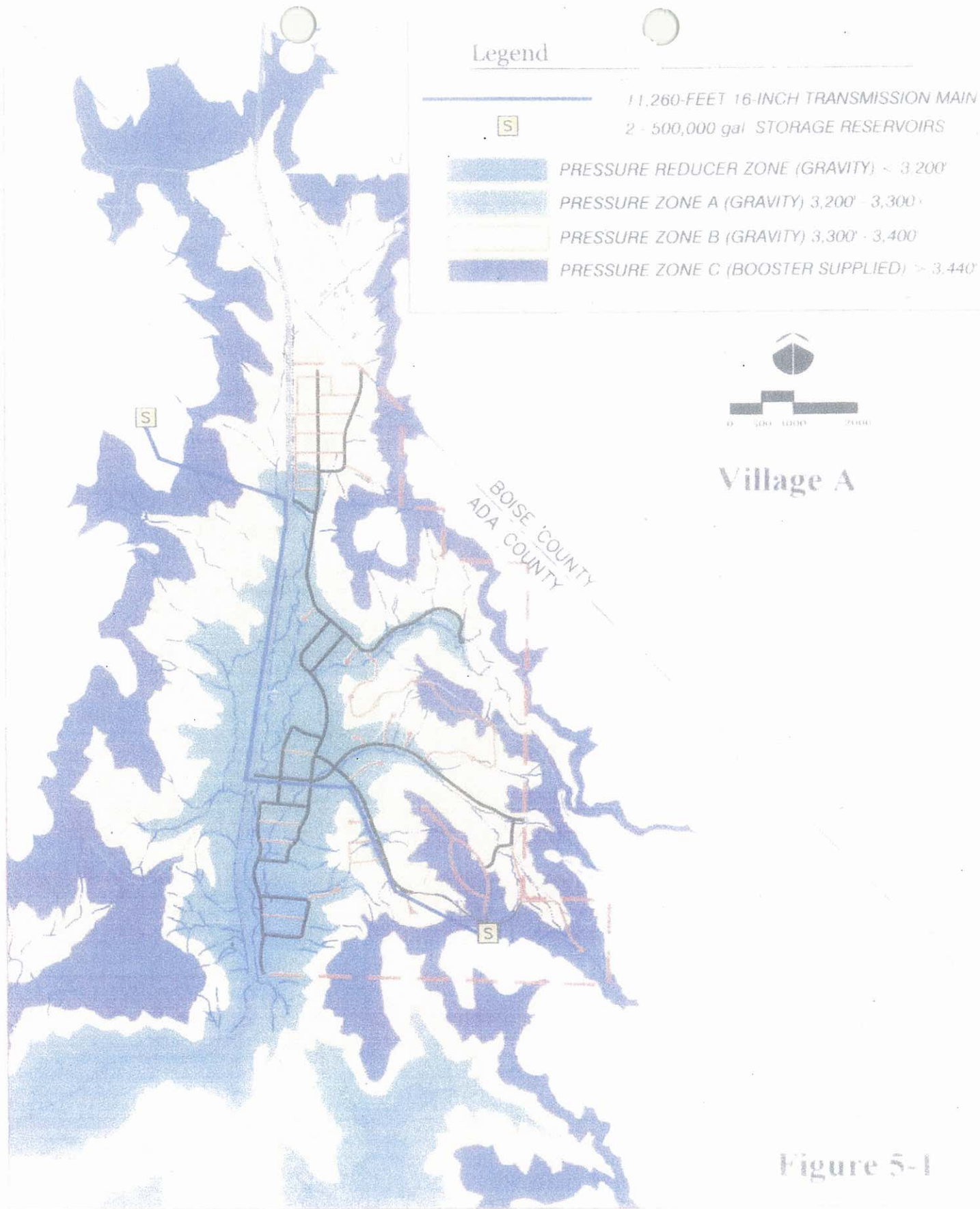
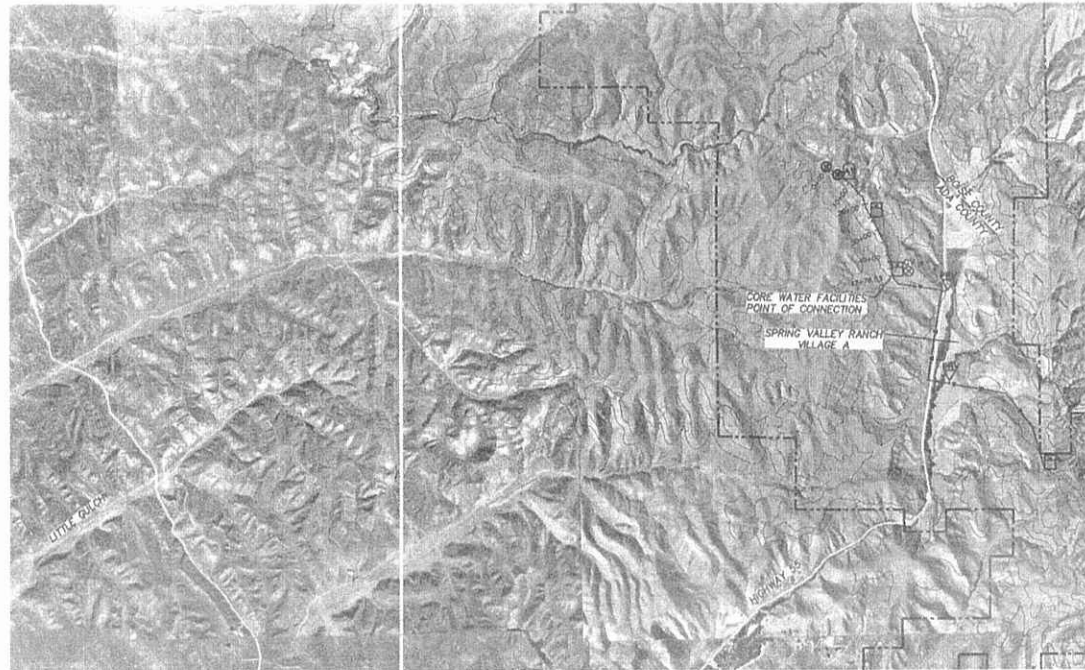
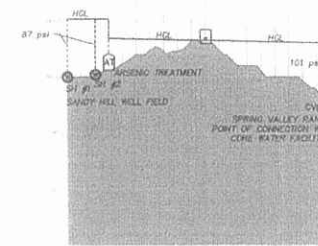


Figure 5-1



- 16-INCH TRANSMISSION WATER SUPPLY MAIN CONNECTING SANDY HILL WELL FIELD TO CORE AREA WATER FACILITIES.
- 2 - 1,000 gpm WELLS.
- 1,000 gpm ARSENIC TREATMENT FACILITY.
- 80,000 GALLON OPERATIONAL STORAGE RESERVOIR.
- FLOAT OR ALTITUDE VALVE REQUIRED AT POINT OF CONNECTION TO CORE WATER FACILITIES - WEST STORAGE RESERVOIR.



WATER SUPPLY ALTERNATES
SPRING VALLEY RANCH
ALTERNATE 2 - SANDY HILL WELL FIELD

DRAWN BY:	S. CRANE
CHECKED BY:	T. FARRELL
SCALE:	1" =
PLOT SCALE:	1

DRAWING DIRECTORY
 C. Harold Adams, Editor
 1000 N. 1st St., Suite 100
 Phoenix, AZ 85004
 602-254-1000
 FAX 602-254-1001
 E-MAIL: CHAD@DRAWINGDIRECTORY.COM
 WWW: WWW.DRAWINGDIRECTORY.COM

FIGURE 7-2

Financial Report 2003

- 15. Independent Auditor's Report
- 16. Consolidated Balance Sheets
- 17. Consolidated Statements of Income
- 18. Consolidated Statements of Stockholder's Equity
- 19. Consolidated Statements of Cash Flows
- 20. Notes to Consolidated Financial Statements
- 32. Supplemental Information
- 33. Officers and Directors

PROJECTS FOR THE PERIODS PRESENTED

Golden Heritage Homes Master-Planned Communities	Spurs Authority Plaza Tempe, Arizona
Amalfi at Boca, Idaho	Talon Towne Centre Glendale, Arizona
Coral Canyon Washington County, Utah	The Technology Center at Talari Glendale, Arizona
Hidden Hills Scottsdale, Arizona	Wigwam Creek Shopping Center Litchfield Park, Arizona
Palm Valley Goodyear, Arizona	Golf Management
Rancho Viejo Santa Fe County, New Mexico	Club West Golf Club Phoenix, Arizona
Scottsdale Mountain Scottsdale, Arizona	Coral Canyon Golf Course Washington County, Utah
Sedona Golf Resort Village of Oak Creek, Arizona	Palm Valley Golf Club Goodyear, Arizona
Stone Ridge Prescott Valley, Arizona	Sinclair Golf Course at West World Scottsdale, Arizona
Stone Ridge Canyon Tempe, Arizona	Sedona Golf Resort Village of Oak Creek, Arizona
The Village at Litchfield Park Litchfield Park, Arizona	Stone Ridge Golf Course Prescott Valley, Arizona
Commercial Development	Stone Ridge Canyon Golf Club Tempe, Arizona
Altitude Crossing Avondale, Arizona	Family Fun Parks
Black Canyon Commerce Park Phoenix, Arizona	Fiddlersicks Scottsdale, Arizona
Coral Canyon Town Center Washington County, Utah	Fiddlersicks Tempe, Arizona
Cristal Plaza Tempe, Arizona	Fiddlersicks Tucson, Arizona
Hidden-Terry Lakeside Tempe, Arizona	Public Utilities
MarketPlace Tempe, Arizona	Litchfield Park Service Company Litchfield Park, Arizona
Palm Valley Cornerstone Goodyear, Arizona	Ranchwood Utility Santa Fe County, New Mexico
Palm Valley Crossing Goodyear, Arizona	Mortgage Origination
Palm Valley Marketplace Goodyear, Arizona	HFS Mortgage Tempe, Arizona
Palm Valley Office Park Goodyear, Arizona	Web Site www.suncoz.com
Palm Valley Pavilions Goodyear, Arizona	

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholder of SunCor Development Company:

We have audited the accompanying consolidated balance sheets of SunCor Development Company and subsidiaries ("The Company") as of December 31, 2003 and 2002, and the related consolidated statements of income, stockholder's equity, and cash flows for each of the three years in the period ended December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2003 and 2002, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 2 and 14 to the financial statements, in 2003 the Company changed its method of accounting for obligations under certain guarantees to conform to Financial Accounting Standards Board Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Guarantees of Indebtedness to Others - an interpretation of FASB Statements No. 5, 57, and 107 and rescission of FASB Interpretation No. 34." Also, in 2002 the Company changed its method of accounting for long-lived assets to conform to Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets."

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information listed in the table of contents on page 32 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This schedule is the responsibility of the Company's management. Such schedule has not been subjected to the auditing procedures applied in our audits of the basic financial statements and, accordingly, we express no opinion on it.

Deloitte + Touche LLP

Deloitte & Touche LLP

Phoenix, Arizona
April 09, 2004

CONSOLIDATED BALANCE SHEETS

YEARS ENDING DECEMBER 31	2003	2002
	(DOLLARS IN MILLIONS)	
Assets:		
Cash and cash equivalents	\$ 25.9	\$ 25.1
Accounts receivable and other assets	1.9	7.2
Home inventory	34.2	38.2
Notes receivable and other	15.0	6.8
Land	234.4	280.5
Property and equipment, net	107.6	88.3
Investment in joint ventures	12.5	22.1
Assets held for sale	0.0	43.0
Deferred costs	7.7	7.6
Deferred income taxes	0.0	16.3
TOTAL ASSETS	\$439.2	\$535.1
Liabilities and Stockholder's Equity:		
Liabilities:		
Accounts payable and other liabilities	\$ 54.4	\$ 40.1
Notes payable	103.9	140.4
Liabilities related to assets held for sale	0.0	28.3
Deferred income taxes	6.3	0.0
TOTAL LIABILITIES	164.6	208.8
Minority interest	15.1	14.9
Commitments and contingencies (Notes 3, 9, 10, and 14)		
Stockholder's equity:		
Common stock, \$100 par value, 10,220 shares issued and outstanding	1.0	1.0
Additional paid-in capital	234.0	342.0
Accumulated earnings/(deficit)	24.5	(31.6)
TOTAL STOCKHOLDER'S EQUITY	259.5	311.4
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$439.2	\$535.1

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDING DECEMBER 31	2003	2002	2001
	(DOLLARS IN MILLIONS)		
Revenues:			
Home sales	\$ 172.1	\$ 139.6	\$ 112.3
Land sales	78.1	41.8	21.4
Sale of commercial operating assets	89.2	0.0	14.6
Commercial and property management	22.2	19.7	15.1
Total Revenues	361.6	201.1	163.4
Operating Expenses:			
Cost of homes sold	137.8	117.6	92.5
Cost of land sold	42.8	21.7	9.7
Cost of commercial operating assets sold	64.3	0.0	8.6
Commercial and property management	18.3	15.6	12.4
General and administrative	45.7	39.2	37.9
Total Operating Expenses	308.9	188.6	161.1
Operating Income	52.7	12.5	2.3
Other Income (Expense):			
Equity in joint venture earnings	3.3	2.0	2.9
Interest income	0.7	0.1	0.6
Interest expense, net of amounts capitalized	(2.5)	(2.6)	(3.4)
Miscellaneous income	21.4	5.5	0.5
Total Other Income	22.9	5.0	0.6
Minority interest	(1.0)	(0.7)	0.2
Income from continuing operations before taxes	74.6	16.8	3.1
Income taxes	28.5	6.8	1.3
Income from continuing operations	46.1	10.0	1.8
Discontinued operations (net of tax of \$6.5, \$5.9 and \$1.0)	10.0	8.9	1.5
Net Income	\$ 56.1	\$ 18.9	\$ 3.3

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY

	Common Stock	Additional Paid-in Capital	Accumulated (Deficit)/Earnings	Total Stockholder's Equity
(DOLLARS IN MILLIONS)				
Balance, January 1, 2001	\$ 1.0	\$355.4	\$ (53.8)	\$302.6
Net income			3.3	3.3
Return of capital		0.0		0.0
Balance, December 31, 2001	1.0	355.4	(50.5)	305.9
Net income			18.9	18.9
Return of capital		(13.4)		(13.4)
Balance, December 31, 2002	1.0	342.0	(31.6)	311.4
Net income			56.1	56.1
Return of capital		(108.0)		(108.0)
Balance, December 31, 2003	\$ 1.0	\$234.0	\$ 24.5	\$259.5

Return of capital discussed in Note 12

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDING DECEMBER 31	2003	2002	2001
(DOLLARS IN MILLIONS)			
Cash flow from operating activities:			
Net income	\$ 56.1	\$ 18.9	\$ 3.3
Income from discontinued operations	(10.0)	(8.9)	(1.5)
Net income from continuing operations	46.1	10.0	1.8
Adjustments to reconcile Net Income to Net Cash (used for)/provided by operating activities:			
Depreciation	5.3	4.2	4.8
Minority interest	1.0	0.7	(0.2)
Equity in joint venture earnings	(3.3)	(2.0)	(2.9)
Provision for deferred income taxes	27.6	8.8	1.7
(Increase)/decrease in accounts receivable and other assets	5.3	(1.7)	(5.5)
(Increase)/decrease in home inventory	4.1	(4.5)	0.2
(Increase)/decrease in notes receivable	(8.2)	(2.0)	(0.4)
(Increase)/decrease in land	53.6	(3.9)	(22.7)
(Increase)/decrease in minority interest related to land	0.0	0.2	7.5
(Increase)/decrease in deferred assets	(0.1)	(2.8)	3.8
Increase/(decrease) in accounts payable and other liabilities	14.2	3.3	11.1
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	140.6	10.3	(1.8)
Cash flows from investing activities:			
Costs to construct commercial properties and equipment, net	13.5	(6.8)	(1.3)
Cash flow from/(to) assets held for sale and discontinued operations	24.7	9.4	(6.4)
Commercial properties held for investment, net	0.0	0.0	(10.7)
Joint venture minority interest contributions/(distributions), net	(0.2)	(2.2)	0.0
Unconsolidated joint venture (contributions)/distributions, net	7.8	16.5	(0.3)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	45.8	16.9	(18.7)
Cash flows from financing activities:			
Return of capital to PWCC	(108.0)	(13.4)	0.0
Proceeds from issuance of notes and bonds payable	135.5	57.2	49.5
Repayment of notes payable	(213.1)	(54.1)	(24.3)
Debt issuance costs	0.0	(0.0)	(0.8)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(185.6)	(10.3)	24.4
Net increase in cash and cash equivalents	8	16.9	3.9
Cash and cash equivalents, beginning of year	25.1	8.2	4.3
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 25.9	\$ 25.1	\$ 8.2
Supplemental disclosures of non-cash investing and financing activities:			
Acquisition/Disposal of property and equipment utilizing capitalized leases	(0.6)	1.3	0.0
Land Distribution to minority partner	0.6	0.0	0.0
Consolidation of various LLCs, (see Notes 5g, h, i, and j):			
Land	8.0	0.0	0.0
Property	38.7	4.6	0.0
Investment in JV	(5.1)	(4.6)	0.0
Notes Payable	(41.6)	0.0	0.0

See Notes to Consolidated Financial Statements

1. Organization and Businesses

SunCor Development Company ("the Company") is a wholly owned subsidiary of Pinnacle West Capital Corporation ("PWCC"). The Company's main activities involve acquisition, development, operation, and sale of real property for residential master-planned communities, homebuilding, and commercial properties in the western United States.

2. Summary of Significant Accounting Policies

Reclassifications - Certain reclassifications have been made to prior years' consolidated financial statements to conform to the statement classifications used in the current year. For all periods presented, the Company has classified certain asset groups as held for sale and has reported discontinued operations for all qualifying components of the Company (see Note 11).

Principles of Consolidation - The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and include the accounts of the Company and its wholly owned subsidiaries and joint ventures. These include Rancho Viejo de Santa Fe, Inc. ("Rancho Viejo"), Golden Heritage Homes, Inc. ("GHH"), Litchfield Park Service Company ("LPSCo"), HPS Mortgage, L.L.C. ("HFS"), Westworld Golf Course, L.L.C. ("Westworld LLC"), Wigwam Outlet Stores, L.L.C. ("Wigwam LLC"), Hidden Hills of Scottsdale L.L.C. ("Hidden Hills"), Hayden Ferry Lakeside, L.L.C. ("HFL"), and SunRidge Canyon, L.L.C. ("SunRidge LLC").

All significant intercompany transactions and balances have been eliminated. "Minority Interest" represents the minority partners' proportionate share of the earnings and equity of Scottsdale Mountain Limited Partnership ("SMLP"), Kabuto/SunCor Joint Venture ("Kabuto JV"), StoneRidge-Prescott Valley L.L.C. ("StoneRidge"), Club West Golf Course L.L.C. ("Club West LLC"), and Coral Canyon Town Center, L.L.C. ("CCTC"). At December 31, 2003, the Company owned 65% of SMLP, 70% of Kabuto JV, 60% of StoneRidge, 68% of Club West LLC, and 75% of CCTC. Total Minority Interest included in the Consolidated balance sheets as of December 31, 2002 was \$14.9 million. Minority Interest income of \$1.0 million, cash distributions of \$0.2 million, and non-cash distributions of \$0.6 million increase the 2003 Minority Interest balance to \$15.1 million (see Note 5).

Home Inventory - Home inventory consists of construction costs, improved lot costs, and other costs including capitalized interest and property taxes on homes under construction. Home inventory is stated at the lower of accumulated cost or estimated fair value less costs to sell.

Real Estate Sales - The Company recognizes income from land, home, and qualifying commercial operating asset sales in full, provided (a) the income is determinable, that is, the collectibility of the sales price is reasonably assured or the amount that will not be collectible can be estimated, and (b) the earnings process is virtually complete, that is, the Company is not obliged to perform significant activities after the sale to earn the income. Unless both conditions exist, recognition of all or part of the income is postponed. Commercial property and management revenues are recorded over the term of the lease or period in which services are provided.

Long-lived Assets to be Held for Development or Use - The Company reviews for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing the review for recoverability, the Company estimates the future undiscounted cash flows based on the existing service potential of the asset at the date tested. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the asset, then impairment is assessed. Measurement of an impairment loss for long-lived assets held for development or use is based on the amount by which the carrying amount of the long-lived asset exceeds its fair value.

Long-lived Assets Held for Sale - Long-lived assets classified as held for sale are measured at the lower of its carrying amount or fair value less cost to sell. The results of operations of long-lived assets, which are considered a component of the Company that either has been disposed of, or is classified as held for sale, is reported in discontinued operations if both of the following criteria are met: (a) the operations and cash flows of the component have been (or will be) eliminated from the ongoing operations of the entity as a result of the disposal transaction, and (b) the entity will not have any significant continuing involvement in the operations of the component after the disposal transaction. See Note 11 for further discussion on assets held for sale and discontinued operations.

Income Taxes - The Company's operations are included in the consolidated income tax returns of PWCC. The Company's income tax liability is determined in accordance with the SunCor/PWCC income tax allocation agreement ("Agreement"), which provides for a separate return calculation for each subsidiary. In accordance with the Agreement, the Company can carry forward its federal net operating losses ("NOL") indefinitely, if the federal NOL was used in the PWCC consolidated return. For state NOLs prior to 2000 that were utilized in the PWCC consolidated/combined state return to offset future state taxable income, the carry forward period is limited to the state statute. In 2000, the Agreement was amended to allow any state NOL from 2000 forward that was utilized in the PWCC consolidated state return to be carried forward indefinitely, consistent with the treatment of the federal NOL. All NOL carryforwards were utilized in 2003.

Statements of Cash Flows - The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Interest paid in 2003, 2002, and 2001 was approximately \$5.0 million, \$6.9 million, and \$9.2 million, respectively. Taxes paid in 2003, 2002, and 2001 were approximately \$3.2 million, \$7.7 million, and \$0, respectively.

Fair Value of Financial Instruments - The carrying amounts of cash and cash equivalents, accounts receivable, and accounts payable approximate fair value because of the short maturity of these financial instruments. Notes that bear variable rates indexed to prime or the London Interbank Offered Rate ("LIBOR") have carrying value which approximate fair value. Fair value estimates are made at a specific point in time, based on relevant market information about the financial instruments. Changes in assumptions or market conditions could significantly affect those estimates.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Homebuilding Warranty - The Company estimates a warranty reserve as a percentage of the home sales price to cover reported claims for its homebuilding activities. This warranty coverage period varies by state. The warranty reserve is reviewed periodically to ensure that

a proper reserve balance is recorded. The reserve balance at December 31, 2003 and 2002 was \$0.8 million and \$0.4 million, respectively.

Recent Accounting Pronouncements - In December 2003, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 46 (revised), "Consolidation of Variable Interest Entities - an Interpretation of Accounting Research Bulletin ("ARB") No. 51." The Interpretation addresses consolidation of variable interest entities ("VIE"). VIEs are entities for which the equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support from other parties and/or for which the equity investors lack essential characteristics of a controlling financial interest. The Interpretation is effective for all new and existing VIE interests acquired by the Company in 2004. The Company is evaluating all of its investments and other interests in entities that may be deemed variable interest entities.

On January 1, 2003, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 143, "Accounting for Asset Retirement Obligations." This Statement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. It applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or the normal operation of long-lived assets, except for certain obligations of lessees. As used in this Statement, a legal obligation is an obligation that a party is required to settle as a result of an existing or enacted law, statute, ordinance, or written or oral contract, or by legal construction of a contract under the doctrine of promissory estoppel. SFAS No. 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. This new standard did not have a material impact on the Company's financial statements.

In November 2002, FASB issued FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Guarantees of Indebtedness of Others - an interpretation of FASB Statements No. 5, 57, and 107 and rescission of FASB Interpretation No. 34." The Interpretation elaborates on the disclosures to be made by a guarantor in its financial statements about its obligations under certain guarantees.

It also clarifies that a guarantor is required to recognize, at inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and measurement provisions of this Interpretation are effective on a prospective basis to guarantees issued or modified after December 31, 2002 (see Note 14).

On January 1, 2002, the Company adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This Statement defines an impairment as "the condition that exists when the carrying amount of a long-lived asset (asset group) is not recoverable and exceeds its fair value." The Statement provides for a single accounting model for the disposal of long-lived assets, whether previously held or newly acquired. Specific guidance is provided for recognition and measurement and reporting and disclosure for long-lived assets held and used, disposed of other than by sale, and disposed of by sale. Assets held for sale and discontinued operations have been reflected in the financial statements in accordance with SFAS No. 144 (see Note 11).

3. Land

The Company's acquisition costs, infrastructure costs, property taxes, and interest directly associated with the acquisition and development of each project are capitalized until the project is substantially complete and ready for its intended use. Interest capitalized on land development in 2003, 2002, and 2001 was \$2.0 million, \$3.2 million, and \$4.8 million, respectively. Included in "Other" below is \$5.1 million related to certain guarantees entered into during 2003 that are associated with land development (see Note 14). Land under development and land held for future development are stated at accumulated cost except, to the extent that such land is believed to be impaired, it is written down to estimated fair value. Land held for sale is stated at the lower of accumulated cost or estimated fair value, less costs to sell.

The evaluation of impairment is based upon the sales proceeds anticipated in the normal course of business, less estimated costs to complete or improve the property to the condition used in determining the estimated selling price and current market price. Such values are based on management's estimates and, in certain instances, are supported by information obtained from independent appraisers. These estimates are continually altered to reflect actual experience or changes in estimates. In evaluating impairment, the underlying assumptions

reflect the Company's intent to dispose of its real estate assets in an orderly, ongoing manner in the normal course of operations.

Upon commencement of housing construction, allocated land costs are transferred to home inventory on a lot-by-lot basis. Land consists primarily of the following at December 31:

LAND	2003 2002	
	(DOLLARS IN MILLIONS)	
Palm Valley	\$ 130.4	\$ 186.3
MarketPlace	0.0	3.1
Scottsdale Mountain	0.1	0.0
Village at Litchfield Park	4.7	12.1
Rancho Viejo	20.9	21.8
Hidden Hills	13.8	17.7
Coral Canyon	18.6	19.7
StoneRidge	21.2	18.1
Hayden Ferry Lakeside	18.1	0.0
Other	6.6	1.7
Total Land	\$ 234.4	\$ 280.5

(a) The Palm Valley project located primarily in Goodyear, Arizona started in 1987 with approximately 11,300 acres. The Company master-planned approximately 9,500 of these acres to include single-family and multifamily residential, commercial, industrial, and golf course uses. Over the past years this project has been the focal point of real estate activity for the Company. During 2003 the Company took advantage of a favorable residential real estate market and sold approximately 2,410 acres of property.

In 2003, the Company sold its entire interest in PebbleCreek, an age-restricted community included in the master-plan area. This transaction resulted in the sale of the Company's interest in approximately 1,550 acres (reflected in land) and the sale of the Company's interest in future cash flows (reflected in miscellaneous income).

(b) MarketPlace is approximately 410 acres of land located in Tempe, Arizona. The master plan includes a retail center with auto dealerships, auto service, and other related development. The land in the master plan includes commercial and industrial uses. At December 31, 2003, all of the remaining acreage had been developed or sold. The Company also owns a family entertainment center occupying approximately 20 acres within MarketPlace and is a partner in a joint venture that owns approximately 22 acres with approximately 244,000 square feet of developed retail space (see Note 6a).

(c) Scottsdale Mountain is approximately 1,400 acres of land located in Scottsdale, Arizona, of which approximately 550 acres are for residential development. Scottsdale Mountain is owned by the SMLP and is accounted for in Consolidated Joint Ventures (see Note 5a). Included in the Company's minority interest is \$0.4 and \$0.8 million related to Scottsdale Mountain at December 31, 2003 and 2002, respectively.

(d) The Village at Litchfield Park is approximately 330 acres of land located in Litchfield Park, Arizona. The master plan includes single-family residential and commercial uses. The Village at Litchfield Park is owned by Kabuto JV, which is accounted for in Consolidated Joint Ventures (see Note 5b).

(e) Talavi is approximately 140 acres of land located in Glendale, Arizona. The master plan includes commercial and industrial uses. At December 31, 2003, all of the property has been developed and/or sold. In addition, the Company is a partner in joint ventures that own approximately nine acres of land, approximately 123,000 square feet of developed retail space, and approximately 25,000 square feet of office/industrial space (see Notes 6a and 6d).

(f) Rancho Viejo is a mixed-use master-planned community of approximately 11,000 acres of land located next to Santa Fe, New Mexico. The initial phase contains approximately 2,500 acres with development commencing in 1998. Upon buildout, the initial phase is anticipated to contain approximately 2,438 single-family dwelling units, along with commercial property. Of the single family units, the Company is anticipating to serve as the exclusive homebuilder for an estimated 2,170 units with the remaining 268 units being sold as custom lots.

In accordance with the project's purchase documents, property is transferred to the Company in phases. The released phase has an associated property lien that records the original landowner's interest in the property. At the time property is sold to a third party, the original land owners authorize a partial release from the lien. The original land owners receive a percentage of the sale price varying for each type of real estate sale as a participation payment. The Company may terminate the agreement at its option with no further obligations (see Note 9).

(g) Hidden Hills is a residential project consisting of approximately 419 acres of land in Scottsdale, Arizona, with the Company as the primary homebuilder. This project initially started with 355 residential lots and now has 141 lots remaining.

(h) Coral Canyon is a mixed-use, master-planned community of approximately 2,500 acres of land located near St. George, Utah. Upon buildout, the project is anticipated to contain approximately 2,820 single-family units, along with property for commercial and golf course uses. Of those single-family units, the Company is anticipating to serve as the exclusive homebuilder for an estimated 2,680 units with the remaining 140 units being sold as custom lots. The first home and custom lot closings occurred in 2000, as did the golf course operations.

In accordance with the project's purchase documents, the State of Utah retains title to the property until a sale closes to a third party buyer. The State of Utah receives a percentage of the sale price varying for each type of real estate sale which is first applied against the annual required payments. The Company may terminate the agreement at its option with no further obligations (see Note 9). The Company has partnered with the State of Utah in the first commercial building on the project (see Note 5k).

(i) StoneRidge is a mixed-use, master-planned community of approximately 1,840 acres located in Prescott Valley, Arizona. Upon buildout, the project is anticipated to contain approximately 2,034 single-family dwelling units, along with property for multifamily, time-share, commercial and golf course uses. Of those single-family units, the Company is anticipating to serve as the exclusive homebuilder for an estimated 1,513 units, with the remaining 521 units being sold as custom lots. The first homebuilding and custom lot sales started in 2002, as did the golf course operations (see Note 5l).

In accordance with the project's purchase documents, a trust retains title to the property until it is closed to a third party buyer. The Company makes required annual payments to the original land owners to maintain its development rights. These payments are added into a land credit account. The original land owners receive a percentage of the sale price varying for each type of real estate sale which is netted against the land credit account. The Company may terminate the agreement at its option with no further obligations (see Note 9).

(j) AmaLur is the Company's most recent land development project. The Company closed escrow on this purchase option in July 2003. The seller will receive a percentage of the sale price, varying for each type of real estate sale. AmaLur is located within the metro area of Boise, Idaho. The project contains approximately 31,200 acres located within three counties: Ada (approx. 12,900

acres), Boise (approx. 12,500 acres), and Gem (approx. 5,800 acres). The core development area contains approximately 12,500 acres. The Company currently projects that Amalur will contain a number of mixed-use villages with approximately 12,000 homes of varying sizes and styles. The Company is planning to use GHH to build the majority of the homes in Amalur. Land development is estimated to start in late 2004.

In accordance with the project's purchase documents, a trust retains title to the property until it is closed to a third party buyer. The Company will make minimum annual obligation payments to the original land owners after the first home closing occurs to maintain its development rights. The original land owners receive a percentage of the sale price varying for each type of real estate sale which is netted against minimum annual obligation payments. The Company may terminate the agreement at its option with no further obligations (see Note 9).

4. Homebuilding

The Company currently builds and sells as GHH within the following developments: Palm Valley, Rancho Viejo, Hidden Hills, Coral Canyon, StoneRidge, and Sedona. The following table shows annual activity for each of the locations.

HOME CLOSINGS BY PROJECT		
	2003	2002
Palm Valley	191	230
Rancho Viejo	113	114
Hidden Hills	56	44
Coral Canyon	82	96
StoneRidge	133	53
Sedona	51	37
Total Units	626	574

5. Unconsolidated Ventures

(a) SMLP is a limited partnership formed in April 1992 to acquire, develop, and sell certain real property. The Company is the general partner in SMLP, as well as being a limited partner. The Company contributed approximately 1,400 acres of land to SMLP for a 100% interest. Subsequent to the formation of the partnership, the Company sold limited partner interests totaling 35% of SMLP's total equity for \$4.9 million. The assets of SMLP as of December 31, 2003, consist of one custom lot and a note

receivable. The Company's consolidated financial statements include all of the assets, liabilities, and operations of SMLP. The limited partners' 35% interest in SMLP and the income therefrom have been reflected as "Minority Interest" in the consolidated financial statements.

(b) Kabuto JV is a general partnership formed in October 1990 to acquire, develop, and sell approximately 330 acres of land, The Village at Litchfield Park. The Company contributed to Kabuto JV its undivided 50% interest in land for its original joint venture interest. The other Kabuto JV partner purchased the additional undivided 50% interest in land from the Company and contributed it to Kabuto JV for its original joint venture interest. Subsequently, the Company purchased an additional 20% interest in Kabuto JV from the other partner in exchange for retiring a \$2.1 million note from the partner. The assets of Kabuto JV at December 31, 2003, consist mainly of custom lots and unimproved residential subdivisions totaling approximately 140 acres. The Company's consolidated financial statements include all of the assets (with land recorded at the Company's cost basis), liabilities, and operations of Kabuto JV. The other partner's 30% interest in Kabuto JV is reflected as "Minority Interest" in the consolidated financial statements.

(c) Wigwam LLC is a limited liability company formed in January 1994 to acquire, develop, own, manage, sell, and/or operate a retail center. The Company was the managing member of this venture. The other member had a profit participation in the project. The property consisted of approximately 40 acres of land in Goodyear, Arizona. The project originally consisted of approximately 232,000 square feet of retail space with a portion of the original 40 acres sold as commercial pads. The minority partner assigned its interest to the Company and the LLC was terminated as of April 30, 2001. The Company then redeveloped the retail property as Palm Valley Pavilions West and sold the shopping center in 2003.

(d) Hidden Hills was reorganized in 2001 as a single-member limited liability company with the Company as the sole member.

(e) Club West LLC is a limited liability company formed in August 2000. The Company purchased a 68% interest in the new venture for \$0.8 million plus the assumption of 68% of the existing debt of the Club West Golf Course. In addition, the Company reduced the debt by \$2.3 million on which it will receive a preferred return.

Club West LLC has debt of \$4.4 million guaranteed by the Company, whose consolidated financial statements include all the assets, liabilities, and operations of Club West LLC. The limited partners' 32% interest and the income therefrom have been reflected as "Minority Interest" in the consolidated financial statements. During 2003, 2002 and 2001, the Company funded \$0.2, \$0.3 and \$0.1 million, respectively, on behalf of the limited partner who failed to meet cash funding requirements. The partner was unable to make the necessary payments and therefore the Company has full ownership of the LLC's only asset Club West Golf Course.

(f) StoneRidge is a limited liability company formed in January 2001 to acquire, develop, sell, and manage the StoneRidge development in Prescott Valley, Arizona. The approximately 1,840-acre development is planned to include single-family and multifamily residential, commercial, time-share, civic, and golf course uses. The Company is the managing partner and has a 60% ownership in StoneRidge.

(g) HFS is a limited liability company formed in November 1998 to offer mortgages to customers for the purpose of buying new homes or refinancing homes. The Company is 100% owner of HFS. Homebuilders Financial Network, LLC, has been retained to originate, process, close, and sell to investors the mortgage loans made to homebuyers for a monthly management fee. The management fee is a percentage of the pre-tax "net operating income." HFS had revenues of \$2.1 million and \$2.0 million in 2003 and 2002 with resulting net income of \$0.7 million and \$0.9 million, respectively. HFS revenues are included in commercial property revenue on the consolidated income statement.

(h) Westworld LLC is a single-member limited liability company that operates the Sanctuary Golf Course, an 18-hole championship golf course in Scottsdale, Arizona. Westworld LLC has developed the golf course under a sublicense agreement with the City of Scottsdale on approximately 200 acres of land controlled by a senior license agreement between the City of Scottsdale and the United States Bureau of Land Management.

(i) SunRidge LLC is a limited liability company formed in June 1994 to acquire, develop, manage, and sell approximately 950 acres of land in Fountain Hills, Arizona. The master-plan for the project included approximately 826 single-family homes and an 18-hole golf course and club-

house. The golf course opened to the public in November 1995, and residential land sales commenced in December 1995. The last lot was sold in 2002. The Company purchased the other member's interest in December 2003 and is now the sole member of the LLC which continues to operate the golf course.

(j) HFL is a limited liability company formed in April 2000 to plan, construct, lease, and sell office/retail buildings and residential units in Tempe, Arizona. The Company purchased the other member's interest in October 2003 and is now the sole member of the LLC.

The first office tower, containing approximately 200,000 square feet of leaseable area, was completed in July 2002. At December 31, 2003, the first building was approximately 67% occupied (approximately 135,000 square feet) with the Company leasing approximately 20% of the total leaseable space. Planning for development of the second office tower and the first phase of condominiums continued in 2003.

(k) CCTC is a limited liability company formed in March 2002 to develop, operate, and sell office property. Currently the Company owns 75% and the minority partner has 25%. The office property is a two-story office building that was completed in February 2003 and contains approximately 25,000 square feet of leaseable area. At December 31, 2003 the building was 62% occupied with the Company leasing approximately 20% of the total building leaseable space.

6. Investment in Joint Ventures

INVESTMENT IN JOINT VENTURES		
	2003	2002
(DOLLARS IN MILLIONS)		
Centrepont Associates	\$ 8.5	\$ 9.2
Sedona Golf Resort	1.8	2.7
Palm Valley Apartments I & II	0.0	(0.2)
Talawa Associated	2.2	1.6
Hayden Ferry Lakeside	0.0	8.5
SunRidge Canyon	0.0	0.3
Total Investment in Joint Ventures	\$12.5	\$22.1

(a) Centrepont Associates, L.L.P. ("Centrepont LLP") is a general partnership formed in January 1989 to acquire, develop, manage, and sell real property. The Company initially contributed approximately 40 acres of land in the MarketPlace project for its 50% interest. The Company's partner contributed approximately \$8.8 million for its 50% initial interest. From these initial contributions, the Centrepont LLP developed approximately 393,000 square feet of retail space. In 1995, the Company contributed a 50% interest in approximately 85,000 square feet of retail space in Talavi and a 50% interest in approximately 40 acres of land in Palm Valley to Centrepont LLP. The other partner purchased the additional 50% interest in retail space and land from the Company and contributed it to Centrepont LLP, which has built or acquired an additional 50,000 square feet of retail space in Talavi.

In 2002, Centrepont LLP sold approximately 12,000 square feet of retail space at Talavi and approximately 149,000 square feet of retail space at MarketPlace, leaving approximately 367,000 square feet of retail space at Talavi and MarketPlace for operations in 2003.

The following represents summarized financial information of Centrepont LLP at December 31, 2003, 2002, and 2001 and for the years then ended:

CENTREPOINT LLP				
	2003	2002	2001	
	(DOLLARS IN MILLIONS)			
Assets:				
Cash and cash equivalents	\$ 0.7	\$ 1.2	\$ 1.3	
Buildings and other, net	9.2	8.5	18.6	
Land and improvements	11.4	13.0	24.5	
Total	\$ 21.3	\$ 22.7	\$ 44.4	
Liabilities and members' capital:				
Accounts payable and other liabilities	\$ 0.4	\$ 2.9	\$ 0.7	
Notes payable	17.8	17.8	13.5	
Members' capital	3.1	2.0	30.2	
Total	\$ 21.3	\$ 22.7	\$ 44.4	
Operations:				
Revenues	\$ 3.6	\$ 6.9	\$ 8.0	
Expenses	1.9	2.9	2.7	
Depreciation	0.8	1.0	1.3	
Net Income	\$ 0.9	\$ 3.0	\$ 4.0	

(b) Sedona Golf Resort, L.C. ("Sedona LC") is a limited liability company formed in February 1995 to acquire, develop, manage, and sell approximately 300 acres of land in Sedona, Arizona, including an existing 18-hole golf course. In addition to the golf course, the master plan for this project includes single-family residential, hotel, retail, and vacation ownership uses. The Company and the other member purchased their 50% initial interests in Sedona LC for approximately \$3.5 million each. The Company is the managing member of the venture. The Operating Agreement rewards the Company with increased distributions percentages for achieving certain return on investment criteria which was achieved in 2003. Land sales are substantially complete and the golf course is the remaining major asset of the LC. The following represents summarized financial information of Sedona LC at December 31, 2003, 2002, and 2001 and for the years then ended:

SEDONA LC				
	2003	2002	2001	
	(DOLLARS IN MILLIONS)			
Assets:				
Cash equivalents	\$ 1.2	\$ 0.3	\$ 0.1	
Land under development	0.1	2.2	3.7	
Golf course and other, net	10.5	12.0	12.4	
Total	\$ 11.8	\$ 14.5	\$ 16.2	
Liabilities and members' capital:				
Accounts payable and other liabilities	\$ 0.6	\$ 0.8	\$ 0.2	
Notes payable	7.4	8.9	9.2	
Members' capital	3.8	4.8	6.8	
Total	\$ 11.8	\$ 14.5	\$ 16.2	
Operations:				
Revenues	\$ 6.9	\$ 6.5	\$ 7.4	
Expense	6.1	6.0	6.0	
Net income	\$ 0.8	\$ 0.5	\$ 1.4	

(c) SunCor-Palm Valley Apartments I Partnership and SunCor-Palm Valley Apartments II Partnership ("PV Apartments I & II") are partnerships formed in May 1996 and October 1997, respectively, to plan, construct, and lease a luxury apartment complex in Goodyear, Arizona. The Company contributed approximately 16 acres of land in Palm Valley to these partnerships for its 51% interest. The Company's partner supervised the planning, design, and construction of the project, and provides the day-to-

day management of the project, for its 49% interest. The first phase, consisting of 132 units, opened during 1997. The second phase, consisting of 132 units, opened during 1998. PV Apartments I and II were sold in January 2003.

The following represents summarized combined financial information of PV Apartments I and II at December 31, 2003, 2002, and 2001 and for the years then ended:

PV APARTMENTS I AND PV APARTMENTS II			
	2003	2002	2001
	(DOLLARS IN MILLIONS)		
Assets:			
Cash equivalents	\$ 0.0	\$ 0.5	\$ 0.2
Buildings and other, net	0.0	11.3	12.0
Land and improvements	0.0	1.6	1.6
Total	\$ 0.0	\$ 13.4	\$ 13.8
Liabilities and members' capital:			
Accounts payable and other liabilities	\$ 0.0	\$ 0.3	\$ 0.4
Notes payable	0.0	15.1	15.1
Members' capital	0.0	(2.0)	(1.7)
Total	\$ 0.0	\$ 13.4	\$ 13.8
Operations:			
Revenues	\$ 19.3	\$ 2.7	\$ 2.4
Expenses	13.4	2.4	2.4
Depreciation	0.0	0.5	0.6
Net Income (Loss)	\$ 5.9	\$ (0.2)	\$ (0.6)

(d) Talavi Associates, L.L.C. ("Talavi LLC") is a limited liability company formed in November 1997 to plan, construct, lease, and sell office/industrial buildings in Glendale, Arizona.

The Company contributed approximately 17 acres of land to Talavi LLC for its 50% interest. The other member purchased approximately 17 acres of land in Talavi from the Company and contributed it to Talavi LLC for its 50% interest. The Company is the managing member of this venture. In November 2003, Talavi LLC sold the approximately 37,000 square-foot garden office building.

At December 31, 2003, the assets of Talavi LLC mainly consisted of one office building and nine acres.

The following represents summarized financial information of Talavi LLC at December 31, 2003, 2002, and 2001 and for the years then ended:

TALAVI LLC				
	2003	2002	2001	
	(DOLLARS IN MILLIONS)			
Assets:				
Cash and cash equivalents	\$ 0.9	\$ 0.1	\$ 0.2	
Buildings and other, net	1.7	5.4	6.0	
Land and improvements	1.1	1.1	0.7	
Total	\$ 3.7	\$ 6.6	\$ 6.9	
Liabilities and members' capital:				
Accounts payable and other liabilities	\$ 0.1	\$ 0.1	\$ 0.1	
Notes payable	0.0	3.4	7.7	
Members' capital	3.6	3.1	9.1	
Total	\$ 3.7	\$ 6.6	\$ 6.9	
Operations:				
Revenues	\$ 7.3	\$ 0.7	\$ 6.2	
Expenses	4.8	0.5	3.1	
Depreciation	0.2	0.2	0.2	
Net Income	\$ 2.3	\$ 0.0	\$ 2.9	

The Company accounts for its investments in Centrepont LLP, Sedona LC, PV Apartments I, PV Apartments II, and Talavi LLC using the equity method of accounting.

7. Notes Receivable and Other

Notes Receivable and Other balance totaled \$15.0 million and \$6.8 million at December 31, 2003 and 2002, respectively. The 2003 balance includes a \$7.0 million note secured by property. The note receivable earns 5.7% interest and the principal is due December 30, 2004. The note was paid in full February 2004. Also in the 2003 balance is the \$0.8 million note secured by real property. This note was paid in full March 2004. The remaining major receivables are as follows: \$4.0 million of Commun Facilities Districts receivables, and \$2.1 million from the purchaser of LPSCo for funds due from the Central Arizona Project for the transfer of water rights.

8. Property and Equipment

Property and Equipment are stated at cost. Major additions and renovations are capitalized and depreciated over their estimated useful lives. Depreciation is calculated using the straight-line method over the assets' estimated useful lives, which generally range from 3 to 20 years for furniture and equipment, 20 to 50 years for buildings and improvements, and 5 to 30 years for other property and equipment. Model home furnishings are amortized over each home closing from the specified number of lots that were determined to benefit from the model homes.

Property and equipment consist of the following at December 31, 2003 and 2002:

PROPERTY AND EQUIPMENT	2003		2002	
	(DOLLARS IN MILLIONS)		(DOLLARS IN MILLIONS)	
Land and improvements	\$ 48.2	\$ 35.5		
Buildings	55.2	47.9		
Furniture, equipment, and other	27.3	22.4		
Water and sewer plant and equipment	7	3.5		
Total	131.4	109.3		
Less accumulated depreciation	(23.8)	(21.0)		
Property and equipment, net	\$ 107.6	\$ 88.3		

9. Commitments and Contingencies

Operating Leases - The Company's lease expense is predominantly for office rental, model home leaseback, and golf course equipment under operating leases. Lease expense for the years ended December 31, 2003, 2002, and 2001 was approximately \$ 3.3 million, \$2.7 million, and \$1.9 million, respectively. Future minimum lease payments as of December 31, 2003 are as follows:

FUTURE MINIMUM LEASE PAYMENTS	
YEARS ENDING DECEMBER 31	(DOLLARS IN MILLIONS)
2004	\$ 2.1
2005	1.3
2006	1.2
2007	1.2
2008	1.1
Thereafter	1.1
Total	\$ 8.0

Payments to Land Owners - The Company is required to make certain annual payments to the original land owners to continue development and sales at Rancho Viejo, Coral Canyon, StoneRidge, and AmaLur as discussed in Notes 3(f), 3(h), 3(i), and 3(j). These obligations are not recorded as liabilities as of December 31, 2003. The Company's maximum exposure to loss under these arrangements is limited to the development costs incurred to date which include any upfront (option) fees (see the Land table in Note 3). Future minimum payments are as follows:

FUTURE MINIMUM LAND PAYMENTS	
YEARS ENDING DECEMBER 31	(DOLLARS IN MILLIONS)
2004	\$ 0.4
2005	0.8
2006	0.8
2007	0.8
2008	0.8

Special Taxing Districts Estimation of Contributions - In cooperation with local governments, the Company has formed Special Taxing Districts ("Districts") at its Palm Valley, Hidden Hills, Rancho Viejo, Coral Canyon, Scottsdale Mountain, The Village at Litchfield Park, and StoneRidge communities. The purpose of a District is to finance public infrastructure for the benefit of the property owners within the District. Typically, the Districts utilize general obligation bonds to finance the infrastructure. The District's general obligation bonds are repaid through property taxes over a 25-year period. Due to a lack of a substantial property tax base in the early years of a project, an alternative funding source other than property taxes is necessary for the District to meet the annual debt service requirement. The Company enters into agreements with each District to provide this alternative funding source, an annual payment by the developer. As development occurs and the property tax base grows, the required contributions from the developer decrease. Based on annual debt service payments of the Districts and estimated project development and absorption schedules, the estimated developer contribution requirements under these agreements are as follows:

ESTIMATION OF SPECIAL TAXING DISTRICTS CONTRIBUTIONS

YEARS ENDING DECEMBER 31	(DOLLARS IN MILLIONS)
2004	\$ 2.0
2005	1.8
2006	1.8
2007	1.5
2008	1.4
Thereafter	\$ 3.6

In 2003, upon adoption of FIN 45, the Company recognized \$5.1 million as the fair value of commitments under its 2003 guarantees (see Note 14).

10. Notes Payable

Notes Payable consist of the following at December 31, 2003 and 2002:

NOTES PAYABLE		
	2003	2002
	(DOLLARS IN MILLIONS)	
Revolving line of credit	\$ 50.0	\$ 125.5
HFL	33.9	0.0
Golf course notes	19.3	13.6
Capital leases	7	1.3
Total	\$103.9	\$140.4

In 2003, the Company's revolving line of credit agreement was modified and the commitment amount was reduced to \$120 million from \$140 million, at the Company's request. The interest rate for the loan facility is variable, based on the lender's prime rate plus 0.5% or LIBOR plus 2.00% and is payable monthly. The loan facility matures in June 2004. At that time, there are two six-month extension options at the Company's request with the lender's approval.

The \$120 million loan facility is secured primarily by an interest in land, commercial properties, land contracts, and homes under construction. The Company and certain subsidiaries provide a guarantee for the loan facility. The amount that is available to be funded under the line is calculated monthly based upon a value assigned to the assets and contracts that secure the loan. The unused available portion of the line totaled \$70.0 million at December 31, 2003.

The loan facility requires compliance with certain financial loan covenants pertaining to debt to net worth, debt service, liquidity, cash flow coverage, and restrictions on debt. The Company is in compliance with these financial covenants at December 31, 2003.

The \$33.9 million for HFL is comprised of two separate loan facilities with a rate of LIBOR plus 2.75%. One loan for \$5.0 million is secured by land while the remaining \$28.9 million is secured by the first office building. These loans matured January 2004 and have been extended through March 2004. As of April 9, 2004, the Company is still in the process of completing another extension the Note. In previous years, the HFL loans were unconsolidated notes guaranteed by the Company. In October 2003, the Company purchased the other member's interest and now reports the notes as consolidated.

Golf Course notes at December 31, 2003 include notes secured by Palm Valley Golf Club, Club West Golf Club, StoneRidge Golf Club, SunRidge Golf Club, and Sanctuary Golf Club. The notes mature in 2004 through 2008 and bear interest at rates ranging from LIBOR plus .225% to 8.0%.

The following represents the future minimum principal payments under notes payable existing at December 31, 2003:

FUTURE MINIMUM PRINCIPAL PAYMENTS UNDER NOTES PAYABLE	
YEARS ENDING DECEMBER 31	(DOLLARS IN MILLIONS)
2004	\$ 88.0
2005	1.3
2006	8.5
2007	0.4
2008	5.3
Thereafter	0.0
Total	\$ 103.9

11. Assets and Liabilities Held for Sale and Discontinued Operations

The Company's discontinued operations for 2003 represent the results of the operation and sale of the building leased to Kohl's department store at Alameda Crossing and the sale of LPSCo. In accordance with SFAS 144, LPSCo and Alameda Crossing have been reflected as discontinued operations for all periods presented. Due to the 2002 sale of Palm Valley Pavilions East ("PVPE"), its operations are also reflected in discontinued operations. The assets and liabilities related to LPSCo and PVPE are reflected as assets held for sale and liabilities related to assets held for sale as of December 31, 2002 on the financial information summarized below:

ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS

	2003	2002	2001
(DOLLARS IN MILLIONS)			
Assets:			
Property and Equipment	\$ 0.0	\$ 41.6	
Other Assets	0.0	1.4	
Total Assets Held for Sale	\$ 0.0	\$ 43.0	
Liabilities:			
Other Liabilities	\$ 0.0	\$ 15.7	
LPSCo 1999 IDA Bond			
Issuance 4.80%-5.95%	0.0	5.1	
LPSCo 2001 IDA Bond			
Issuance 5.00%-6.75%	0.0	7.5	
Total Liabilities related to Assets Held for Sale	\$ 0.0	\$ 23.2	
Income Statement:			
Net Discontinued			
Operations before Tax	\$16.5	\$14.8	\$2.5
(including disposal gains of \$16.4, \$12.8, and \$0.0)			
Discontinued Operations Tax	(6.5)	(5.9)	(1.0)
Net Discontinued Operations	\$10.0	\$8.9	\$1.5

12. Related Party Transactions

The Company, through its wholly owned homebuilding subsidiary GHH, purchased property or lots from SMLP, SunRidge LLC, Sedona LC, Hidden Hills LC, and Kabuto JV. GHH constructs and markets the homes to the general public. During 2003, 2002, and 2001, the Company purchased finished lots and residential parcels at aggregate prices of approximately \$0.0, \$1.0 million, and \$8.1 million, respectively, from the various joint ventures. Profits on these intercompany transactions are not recorded until the home is constructed and sold to an unrelated third party. During 2003, 2002, and 2001, the Company recognized approximately \$1.7 million, \$1.5 million, and \$0.2 million, respectively, in profits from the joint venture lot sale transactions, reflecting them as a reduction to cost of homes sold.

In 2003, 2002, and 2001, the Company was charged by PWCC approximately \$0.9 million, \$0.8 million, and \$1.1 million, respectively, for certain administrative services and allocated corporate costs. As of December 31, 2003 and 2002, the Company had outstanding accounts payable to PWCC of approximately \$0.1 million and \$0.1 million, respectively.

In addition, during 2003, 2002, and 2001, the Company paid a return of capital to PWCC of \$108.0 million, \$13.4 million, and \$0, respectively.

The Company loaned Club West LLC funds to meet certain obligations. At the end of 2003 and 2002, Club West LLC owed the Company \$2.9 million and \$2.9 million, respectively (see Note 5e).

13. Income Taxes

The Company is included in PWCC's consolidated tax return. However, when PWCC allocates income taxes to the Company, it does so based on the Company's taxable income or loss alone.

Certain assets and liabilities are reported differently for income tax purposes than they are for financial statements. The tax effect of these differences is recorded as deferred taxes. The Company calculates deferred taxes using current income tax rates.

The components of income tax expense are as follows:

YEARS ENDING DECEMBER 31	2003	2002	2001
(DOLLARS IN MILLIONS)			
Current:			
Federal	\$ 2.9	\$ (0.9)	\$ (0.2)
State	3.0	(1.1)	(0.2)
Total Current	\$ 5.9	\$ (2.0)	\$ (0.4)
Deferred:			
Deferred Federal	\$ 22.8	\$ 8.6	\$ 1.3
Deferred State	(0.2)	0.2	0.4
Total Deferred	\$ 22.6	\$ 8.8	\$ 1.7
Income tax expense from continuing operations	\$ 28.5	\$ 6.8	\$ 1.3

The income tax expense computed using the statutory federal income tax rate does not equal the amount recorded as income tax expense from continuing operations because of the following:

YEARS ENDING DECEMBER 31	2003	2002	2001
(DOLLARS IN MILLIONS)			
Federal income tax expense at 35% statutory rate	\$ 26.1	\$ 5.9	\$ 1.1
Increase in tax expense resulting from:			
State income tax net of federal income tax benefit	3.1	0.7	0.1
Other	(0.7)	0.2	0.1
Income tax expense from continuing operations	\$ 28.5	\$ 6.8	\$ 1.3

The deferred tax asset/(liability) balance at December 31, 2003 and 2002 relates to the following items:

YEARS ENDING DECEMBER 31	2003	2002
(DOLLARS IN MILLIONS)		
Deferred income tax assets:		
Net operating loss carryforward	\$ 0.0	\$ 26.0
AMT credits	3.0	0.4
Total deferred tax assets	3.0	26.4
Deferred income tax liabilities:		
Property and equipment	\$ (9.3)	\$ (10.1)
Total deferred tax liabilities	(9.3)	(10.1)
Net deferred tax assets/(liability)	\$ (6.3)	\$ 16.3

The net operating loss carryforward pre-tax balance of approximately \$77 million in 2002 was utilized in 2003.

14. Credit Agreements

During 2003 the Company entered into three new Special Taxing District Contribution Agreements. The Company enters into these agreements with various taxing districts to provide additional funding when necessary for the District to meet the annual debt service requirement. In accordance with FASB Interpretation No. 45, the fair value of obligations related to guarantee agreements are required to be recorded as a liability. At December 31, 2003, the fair value of the obligations for these new agreements are included in "Land" and "Accounts Payable and Other Liabilities" totaling \$5.1 million for the bonds with a maximum potential undiscounted liability of \$16.4 million. The annual estimated payments of the new 2003 contribution agreements are reflected with previously issued agreements in Note 9 of the Financial Statements.

During 2003 no other agreements were entered into that meet the definition of guarantees requiring recognition under FASB Interpretation No. 45 (see Note 2).

15. Pensions

Certain eligible employees of the Company are covered by a qualified pension plan, non-qualified supplemental excess benefit retirement plan and a post-retirement plan. The plans are administered by the Company's parent and the Company is allocated its portion of the entire plan. Below is the associated expense and contribution:

BENEFIT PLANS

YEARS ENDING DECEMBER 31	2003	2002	2001
(DOLLARS IN MILLIONS)			
Expense			
Pension-related	\$ 1.3	\$ 0.9	\$ 1.6
Post-retirement	0.8	0.8	0.3
Contributions			
Pension-related	\$ 0.9	\$ 0.1	\$ 0.0
Post-retirement	0.9	0.2	0.0

The 2004 contribution requirement is estimated to be between \$2.0 million and \$3.0 million.

SUPPLEMENTAL INFORMATION

Supplemental Information (Unaudited)

The tables below summarize the Company's land development acreage or lot inventory status for selected projects (see Note 3):

PALM VALLEY

	2003	2002	1987 (INITIAL YEAR)
Master-planned Area			
Beginning Acres	5,520	5,870	9,500
Acres Sold	1,930	350	
Ending Acres	3,590	5,520	

Outside of Master-planned Area

Beginning Acres	1,380	1,380	1,800
Acres Sold	480	0	
Ending Acres	900	1,380	

Total Acres	4,490	6,900	11,300
--------------------	--------------	--------------	---------------

RANCHO VIEJO

	2003	2002
Residential lots - beginning	177	180
Lot development initiated during year	163	136
Production homes closed	113	114
Custom lots closed	7	25
Residential lots - ending	220	177
Project to date residential lots closed	577	457

HIDDEN HILLS

	2003	2002
Residential lots - beginning	212	269
Homes closed	56	44
Custom lots closed	15	13
Residential lots - ending	141	212
Project to date residential lots closed	214	143

CORAL CANYON

	2003	2002
Residential lots under development - beginning	199	306
Lot development initiated during year	311	0
Production homes closed	82	96
Custom lots closed	9	11
Residential lots under development - ending	419	199
Project to date residential lots closed	306	215

STONERIDGE

	2003	2002
Residential lots under development - beginning	338	247
Lot development initiated during year	150	156
Production homes closed	133	53
Custom lots closed	7	12
Residential lots under development - ending	348	338
Project to date residential lots closed	205	65

OFFICERS AND DIRECTORS

Officers



John C. Ogden
President and Chief
Executive Officer



Geoff Appleyard
Vice President and
Chief Financial
Officer



Duane Black
Vice President and
Chief Operating
Officer



Jay Ellingson
Vice President
Development,
Palm Valley



Steve Gervais
Vice President and
General Counsel



Margaret Kirch
Vice President
Commercial
Development



Tom Patrick
Vice President Golf
Operations

Directors

William J. Post
Chairman of the Board
SunCor Development Company
Chief Executive Officer
Pinnacle West Capital Corporation

Michael L. Gallagher, Esq.
Chairman Emeritus
Gallagher & Kennedy

Pamela Grant
Civic Leader

Humberto S. Lopez
President
HSL Properties, Inc.

John C. Ogden
President and Chief Executive Officer
SunCor Development Company

T Scanlan

From: CHARLES ARISS [CARISS@DEQ.STATE.ID.US]
Sent: Monday, September 27, 2004 8:24 AM
To: tscanlan@spfwater.com
Cc: slester@idwr.state.id.us
Subject: Re: Spring Valley Ranch - SunCor Development Company



CHARLES
ARISS.vcf (301 B)

Terry & Steve:

This e-mail serves as confirmation that the subject developer and its consultants have been in contact with DEQ regarding the Spring Valley Ranch project.

We have had 2 meetings to date. One was a general overview and the second was a more focused meeting on water and wastewater issues.

PACE requested permission to conduct an arsenic pilot study of a coag/filtration plant. It was scheduled to be online last week, but DEQ did not receive any notification that this has occurred.

We have not received any plans or specification for the project to date.

Chas

Chas Ariss, P.E.
Regional Engineering Manager
(208) 373-0252 Direct
(208) 373-0287 Fax
cariss@deq.state.id.us

>>> "T Scanlan" <tscanlan@spfwater.com> 09/25/04 04:30PM >>>
Chas -

SunCor Development Company has applied for a 5 cfs water right permit for municipal purposes to serve the Spring Valley Ranch Project. As part of the application review, Idaho Department of Water Resources has asked us to provide "Written documentation that the applicant has contacted the Idaho Department of Environmental Quality and is working with that agency to meet its requirements for the proposed development".

I understand that you, Steve Rae, and Monty Marchus met on August 3, 2004 at SunCor's office with SunCor (Bob Taunton) and their water and wastewater design team (Tim Farrell of SPF Water Engineering, James Mathews and Mike Olivia of PACE Engineering, and Brian DeHaas of WRG Design) to discuss various aspects the proposed Spring Valley Project. I understand that the design team is continuing to communicate with IDEQ relative to pilot testing of arsenic treatment and other project related items.

Could you send me an email response or a letter to confirm for IDWR that SunCor is working with your staff to meet IDEQ's requirements for the proposed development? Thanks in advance. Let me know if you have any questions.



Idaho Secretary of State Viewing Business Entity

[New Search] [Back to Summary]
[Get a certificate of existence for HIGHLAND WATER COMPANY]

HIGHLAND WATER COMPANY

485 E RIVERSIDE DR #300
EAGLE, ID 83616

Type of Business: CORPORATION, GENERAL BUSINESS

Status: GOODSTANDING 18 Aug 2004

State of Origin: IDAHO

Date of 18 Aug 2004

Origination/Authorization:

Initial Registered Agent: CT CORPORATION SYSTEM
300 N 6TH ST
BOISE, ID 83702

Organizational ID / Filing Number: C156094

Number of Authorized Stock Shares: 100000

Date of Last Annual Report:

Amendments:

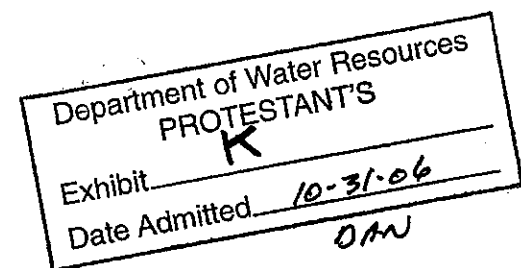
Amendment filed 18 Aug 2004 INCORPORATION

View Document Online
Download (TIFF format)

Idaho Secretary of State's Main Page

State of Idaho Home Page

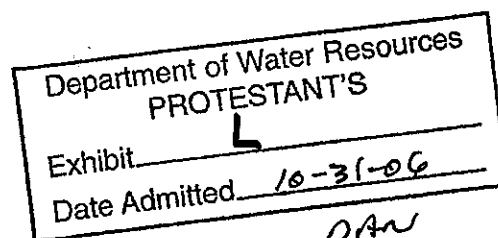
Comments, questions or suggestions can be emailed to: sosinfo@idsos.state.id.us



SH



September 27, 2004



Steve Lester
Water Rights Supervisor
Idaho Dept. of Water Resources
2735 Airport Way
Boise, Idaho 83705-5083

Re: Application for Permit No. 63-31966, SunCor Idaho, LLC

Dear Mr. Lester:

In response to your letter dated August 6, 2004 concerning (1) contact with Ada, Boise, and Gem County governments; (2) compliance with current zoning ordinances; and (3) County concerns.

Item 1: Contact with the counties

- Even though each of the three counties was first contacted several years ago, the formal pre-application process commenced in September of last year. The meeting/contact log shows that SunCor and/or its consultant team has met twenty six times with Ada County officials, including the Board of County Commissioners, Planning & Zoning Commission, Development Services (Planning) staff and other county agencies and departments. A series of formal pre-application conferences, as required by the zoning ordinance, were held with Ada County staff prior to the filing of the Planned Community application on August 26, 2004.
- In addition, there have been three (3) meetings each with Boise and Gem County planning officials during the past year, even though no application is expected to be filed in either county for many years.

Item 2: Compliance with current zoning ordinances

- As noted above, a formal application was filed with Ada County on August 26, 2004, under the provisions of the Planned Community Section, 8-2E, of the Ada County Zoning Ordinance. The ordinance

5/15
P12

provides the opportunity for approval of planned communities subject to three standards:

- That the Planned Community is a minimum of 640 acres;
- That the Planned Community site is located outside existing areas of city impact; and
- That the Planned Community has a boundary that enhances the area's ability to incorporate or be annexed.


The proposed Spring Valley Ranch Planned Community complies with all of the requirements of the ordinance.

- Boise and Gem Counties have adopted Planned Community ordinances (Ord. 2001-07 and Ord. 95-04, respectively) that are verbatim replications of the Ada County ordinance. The sole exception is Gem County's size requirement—a minimum of 320 acres—which contrasts with the 640 acre requirement of the other two.
- However, as noted in Item 1, above, no Planned Community application has been filed with either Boise or Gem Counties, nor is such expected for many years—possibly a decade or more.

Item 3: County concerns

- Potential "concerns" for Planned Community developments are addressed in the detailed requirements in each county's Planned Community ordinance. Even though no application will be filed in Boise or Gem Counties for some time, they will be informed of key meetings in the Ada County process. This will assure their knowledge of issues and foster open communication when the Spring Valley Ranch project proposes to cross jurisdictional boundaries and a planned community application is required in Boise County or Gem County—or both.
- In due course, county concerns will be identified, and addressed, through the Planned Community process.

Sincerely,



Michael D. Wardle
Land Development Manager



State of Idaho

DEPARTMENT OF WATER RESOURCES

Western Region, 2735 Airport Way, Boise, Idaho 83705-5082 - (208) 334-2190

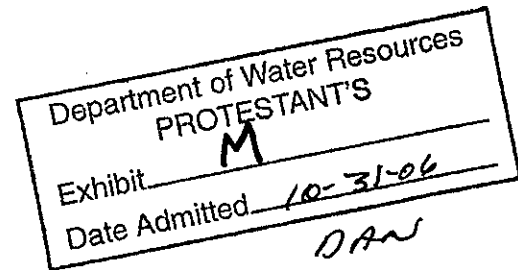
FAX (208) 334-2348

DIRK KEMPTHORNE
Governor

KARL J. DREHER
Director

August 6, 2004

TERRY SCANLAN
SPF WATER ENGINEERING LLC
600 E RIVER PARK LN STE 105
BOISE ID 83706



RE: Application for Permit No. 63-31966, SunCor Idaho LLC

Dear Terry:

Suncor's application will be published in local newspapers for Ada, Boise and Gem counties in the last two weeks of August with a September 7, 2004, protest deadline.

Water Appropriation Rule 40 authorizes the Idaho Department of Water Resources (IDWR) to solicit additional information normally associated with applications seeking a "large diversion" such as those exceeding 5.00 cfs. That rule, however, allows the information to be sought for any application, regardless of the amount of water proposed by an application.

In this case, the following additional information is requested for the significant development proposed by your client.

- ✓ • Information to show that the quantity of water proposed in the application is available from the aquifer without causing injury to other water right holders.
- ✓ • Summary of project plans and specifications along with estimated construction costs for the project.
- ✓ • Current financial statement certified for its accuracy to show that it is reasonably probable that financing will be available to appropriate the water and apply it to the proposed beneficial use. A financial commitment letter along with the financial statement of the lender may substitute for the certified financial statement of the applicant.
- ✓ • Written documentation that the applicant has contacted all three county governments concerning the proposal. The documentation should specify whether the proposal will comply with all current zoning ordinances and if any of the

Exhibit
P13

Application 63-31966

August 8, 2004

Page 2

counties have concerns about the project.

- ✓ • Written documentation that the applicant has contacted the Idaho Department of Environmental Quality and is working with that agency to meet its requirements for the proposed development.

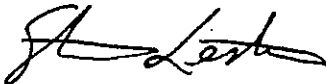
Initial processing of Application 63-31966 can continue at this time. Application processing cannot be completed without the above requested additional information.

An IDWR decision about the application cannot be issued until the applicant verifies that it is a valid municipal provider under Idaho law. This issue can be resolved after initial application processing and evaluation of the requested additional information have been completed.

Please submit the additional information within sixty (60) days from the date of this letter. Alternately, the applicant can request an interruption of processing for up to six (6) months if more time is needed in this regard. The application will be removed from IDWR records without a timely written reply.

Please contact me at 334-2190 if you have any questions. Thank you for your attention to this matter.

Sincerely,



Steve Lester
Water Rights Supervisor

overstates the situation -
ok to issue decision
if properly conditioned
e DEQ/PWC cert.
when t.h. put b.h. per
2/14/05 into town sq.
-fl 2/15/05

Lester, Steve

From: Lester, Steve
Sent: Friday, August 06, 2004 3:17 PM
To: Saxton, Glen; Spackman, Gary
Cc: Westra, John
Subject: SunCor Application for Permit

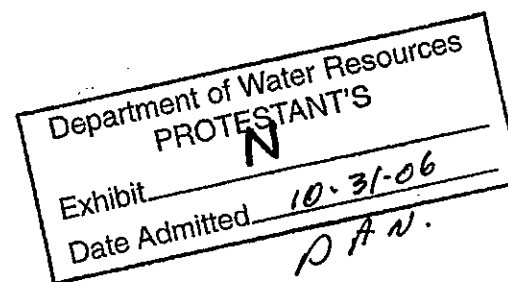
Glen & Gary:

This is to let you know Western is processing SunCor Idaho LLC Application 63-31966 for a proposed planned community aka Spring Valley Ranch north of Shadow Valley Golf Course along Hwy 55. Proposes 5 cfs from 7 wells for a municipal service area of about 9 square miles between the golf course and Horseshoe Bend Hill.

Additional information has been requested from the applicant regarding availability of ground water, financial resources, and status of local approvals/concerns from Ada, Boise and Gem counties in the which the P/U is proposed. Additionally, IDEQ will be notified.

Most likely will be protested from what we have heard so far.

Steve



edit.
PKH

MEMORANDUM

TO: John Westra and Rob Whitney
FROM: Steve Lester *SL*
DATE: June 16, 2004
RE: SuCor Idaho LLC Application for Permit

Copy of this memo and application provided to each of you to ask for your thoughts on this one before processing begins. Maybe the best way to approach it is for you to think it over, then all three of us can meet. I will schedule a meeting via Outlook sometime soon.

Summary to date:

Municipal provider status

Admin. Memos vague for documenting municipal provider status in new regular (non-RAFN/Planning Horizon) municipal rights.

Application mentions intent to become municipal provider via IPUC.

Jeff P. agreed okay to process but cannot issue decision until provider status confirmed.

WD Issues

50-500 ft. water bearing zone.

Drilling permit fee upgrades.

Test wells etc. plus any data.

WR Application issues

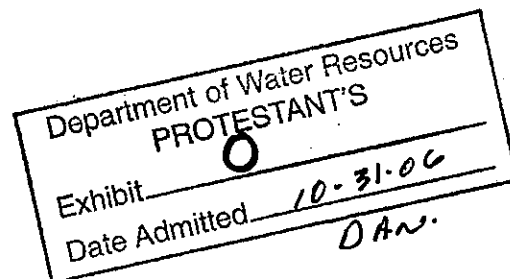
Water supply data.

Financial resources.

Status of county concerns and local approval process (3 counties).

Status of IDEQ concerns and approval process.

Mailing list for comment letters – citizens etc.

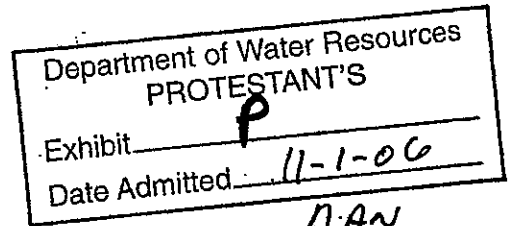


REVIEWER
NOTES

EXHIBIT
SL

January 23, 2003

Tom Sellin, President
Horseshu Vue Ranch Homeowners Association
No. 7 Spring Creek Drive
Horseshoe Bend, ID 83629



Subject: Review of Water Use Data from Horseshu Vue Ranch Subdivision and Proposal for Additional Development by Horseshu Vue Ranch, Inc.

Dear Tom:

I reviewed the water use data and proposal that you emailed to me. The following are my comments related to water issues. No comments are provided related to other issues in the proposal.

Background On Water Supply Issues

Before commenting on the proposal and recent water use information, it is probably useful to review the history of the water supply situation at Horseshu Vue Ranch Subdivision. Scanlan Engineering was first retained in late 1999 to evaluate the water system on behalf of the Homeowners Association. The evaluation was spurred by homeowner complaints related to low pressure and inadequate water supply during the summer of 1999.

The 1999 evaluation found that the sustainable water supply for the subdivision was less than 60 gpm. This amount was substantially less than anticipated by the Homeowners Association, as they were under the impression that the water supply was designed for domestic use, landscape irrigation, and a significant amount of pasture irrigation. The amount is also significantly less than the amount listed on the IDWR water right permit, which authorized domestic water for 20 homes and irrigation (landscape and pasture) of 60 acres, with a peak diversion rate for both uses of 628 gpm.

Water system permitting documents submitted to DEQ during subdivision design indicated that the domestic water system was sized to supply 72 gpm (on a sustainable 24-hour basis) to serve 20 one-acre lots. DEQ criteria suggests that 72 gpm is the peak day demand for 20 lots, each with 0.8 acres of landscape irrigation. The DEQ is now requiring that the Horseshu Vue source be capable of 125 percent of the peak day demand (in this case, 90 gpm) if 0.8 acres per lot are being irrigated. Since the 1999 evaluation found a practical supply of less than 60 gpm (rather than 90 gpm required by DEQ), the evaluation concluded that the water supply source was inadequate to serve 20 one-acre lots each with 0.8 acres of landscape irrigation. The evaluation also found that at least two homes (Vaught and Pantner) and one undeveloped lot (Frane) did not meet the minimum 35-psi static pressure required by DEQ public water system rules.

exhib.
PH
H6

Since the evaluation found that the subdivision water supply was inadequate to meet anticipated domestic and landscape irrigation needs, it was further determined that there was no excess water available water supply for irrigation of pasture areas. Thus, while the water right authorized extensive pasture irrigation, a water supply was not available for this purpose. Therefore, additional water supply would need to be developed to meet the balance of the projected landscape irrigation demands and all pasture irrigation demands. Recommendations in the 1999 evaluation were (1) increase the water supply by drilling additional wells, (2) control landscape irrigation water use through rotation, limits on irrigated area, and water metering, (3) install booster pumps for homes constructed above elevation 3150 feet, and (4) monitor and document water system status.

Subsequent efforts by both the Homeowners Association and the developer to increase the local water supply by drilling additional wells had mixed results. The developer drilled three or four exploration wells on property outside of the subdivision. One well was successful, but the location of the well suggests that it probably draws from the same aquifer as tapped by the existing subdivision well (Well No. 1). The Homeowners Association drilled three exploration wells within the subdivision. Two of these wells were unsuccessful. The third well tapped a geothermal water source (100 degrees F +/-) that is unsuitable for public water system use, but might be developed for landscape irrigation use. The warm water well cannot be connected into the potable water system, so a separate pipe system would need to be installed to provide the water for landscape irrigation. The well is currently equipped with 6-inch casing to approximately 220 feet. Capacity of this warm water well has not been established, but is anticipated to be in the range of 20 gpm to 100 gpm. Additional completion work and testing is needed to assess the sustainable capacity of this well, but it currently has potential to more than double the subdivision landscape irrigation water supply. To complete the well, the borehole below 220 should be cleaned out to total depth (500 feet +/-) and equipped with a 5-inch perforated liner pipe. Note also that the chemistry of the warm water supply is probably marginal for landscape irrigation purposes due to a high sodium ratio. Soil amendments (gypsum, etc.) may be necessary to prevent sodium accumulation if this source is used for landscape irrigation. Estimated costs to complete and equip this well for landscape irrigation use total \$70,000. These costs include \$10,000 for additional well completion work, \$30,000 for pump(s), appurtenances, and motor controls, and \$30,000 for piping and valves.

Due to water system deficiencies (limited water quantity and low pressure), DEQ has disapproved the water system. Requirements for DEQ reapproval of the system are detailed in an 8-page letter from Monty Marchus to Tom Sellin dated October 23, 2002. Costs to obtain reapproval were estimated by Scanlan (letter to Sellin dated November 20, 2002) to range up to \$20,000. Based on subsequent discussions with the Homeowners Association, the actual costs for reapproval may be closer to the \$7,000 to \$10,000. However, actual costs cannot be determined until a sanitary survey of the system is completed.

Comments on Water Use Data

The Homeowners Association has documented water use and water levels for the past two years. Water use has been restricted during this period in an effort determine the sustainable water supply.

- The average summer (mid-May to mid October) water demand in 2001 was 30 gpm, and end of summer (9/30) water level was 55.25 ft. For 14 homes, this demand is about 2.1 gpm/home or 3100 gpd/home.
- The average summer water demand in 2002 was 22 gpm, and end of summer (10/2) water level was 49.5 ft. For 14 homes, this demand is about 1.6 gpm/home or 2300 gpd/home.

Projected Maximum Average Summer Well Yield. Assuming that 60 feet is the maximum practical static water level in Well No. 1, it looks like the well might produce a maximum average summer yield of about 35 gpm. For 20 homes, this would be about 1.75 gpm/home or 2500 gpd/home (rather than 4.5 gpm/home required by DEQ for 20 homes each with 0.8 acres of landscape irrigation). Using DEQ criteria, 35 gpm provides adequate supply for 20 homes, each with 0.26 acres (11,000 square feet) of landscape.

Sustainability of the Aquifer. Static water level in Well 1 declined significantly between 1994 and 1999 (from between 10 and 20 feet to between 35 and 50 feet). However, November water levels in Well 1 do not show a significant decline since 1999 (50 feet, +/-4 feet, in 1999, 2001, and 2002). This may suggest that the aquifer can sustain the current level of water development (20 to 30 gpm average summer use). It does not mean that the aquifer can sustain significantly more development.

Comments on the Proposal by Horseshu Vue Ranch, Inc.

The proposal by Horseshu Vue Ranch, Inc., contemplates adding 7 lots to the subdivision, and adding the successful test well (Well No. 2) drilled by the developer. This will result in a total of 27 lots within the subdivision. The following are my comments concerning the proposal.

Productivity of the Second Well. HSV Well No. 2 is less productive than Well No. 1, as shown below.

- Well No. 1 had a short-term (2-hr) specific capacity of 6.8 gpm/ft (117 gpm with 16.9 feet of drawdown) when tested on 11/22/99.
- Well No. 2 had a short-term (2-hr) specific capacity of 2.6 gpm/ft (71 gpm with 26.8 feet of drawdown) when tested on 10/18/00.

The Well No. 1 pumping test showed it to be more than twice as productive as Well No. 2. Don't be fooled by the fact that Well 2 was tested at a rate of 70 gpm for four days, or 53 gpm for five days. The sustainable yield will be much less than demonstrated by such a short-term test. Remember that Well No. 1 was initially tested at a rate of 150 gpm in 1994 by Burgess Pump

Company, but we now estimate that the well can sustain a rate of only about 35 gpm. Therefore, we anticipate that the maximum sustainable (i.e. through summer) pumping rate for Well No. 2 will be significantly less than the 35 gpm sustainable rate documented for Well No. 1.

Note that in my original report dated December 1999, I indicated that the maximum sustainable yield from Well No. 1 was about 60 gpm. Experience since 1999 has shown that the maximum sustainable yield is less than 40 gpm. I point this out to show that I am not typically over conservative in these types of projections.

Two Wells vs One Well. The two wells (Wells 1 and 2) will produce more than the single well, but they will both probably draw from the same source. Therefore, two wells will not double the sustainable yield from the aquifer tapped by the subdivision.

So here is the big question. Will the second well increase the total sustainable water supply by 26 percent (i.e., 7/27ths), so that the existing subdivision will not be injured by adding 7 lots? I don't have an answer. My gut feeling is that the second well will increase the sustainable water supply by less than 50 percent (i.e., less than 20 gpm) but by more than 10 percent (i.e., more than 4 gpm). So, maybe a 26 percent (10.4 gpm) increase is possible. A 10.4 gpm supply would provide 1.5 gpm each for the proposed seven lots.

I should note that Well No. 2 was tested for five days at a rate of approximately 53 gpm without impacting Well No. 1. This is a good sign. However, the pumping water level in Well No. 2 did not stabilize during the 5-day test. In fact, water levels declined at a consistent rate of 2 feet per day through the final four days of the test. This is a bad sign. Pumping water levels normally stabilize in wells completed in large or extensive aquifers, rather decline on a consistent rate. A consistent decline such as measured at Well No. 2 suggests a small aquifer, with storage being depleted while pumping. Furthermore, I believe there is a good chance mutual interference between the wells would have eventually occurred.

You should also consider that two wells are better for the homeowners than one well. The second well will provide redundancy for the subdivision in the event of a complete well failure. A second well will increase monitoring costs, due to two water sources requiring sampling. However, this monitoring cost increase is probably outweighed by the benefits of having a second source.

To summarize, a second well with 7 additional lots is unlikely to significantly improve the maximum water supply available for each existing lot, but it will improve the reliability of the water system by adding a second source of supply.

Three Wells vs. Two Wells. The warm water well (Well 3) may also have sustainability problems. However, water chemistry and temperature suggest that the well taps an aquifer separate from the aquifer that supplies Wells 1 and 2. Therefore, we do not anticipate that development of Well 3 for landscape irrigation purposes will deplete the supply tapped by Wells 1 and 2. In fact, use of Well 3 may reduce the demand on Wells 1 and 2.

Water Supply Limit Per Home. Regardless of whether there are 20 or 27 lots, I suggest that a water supply limit per home be implemented. Initially, a limit of 2500 gpd (monthly average) should be proposed. For 27 homes, this limit is equivalent to a pumping rate of 47 gpm. It is not known if the aquifer can sustain such a level of production. If not, water use will need to be cut back. I would suggest cutting back in increments of 500 gpd. Homes that use more than 2500 gpd should be penalized through assessment of excess water charges.

A temporary limit greater than 2500 gpd could be considered prior to subdivision build-out, but homeowners should be reminded that they will be forced to cut back eventually.

Assuming that (1) the maximum available water supply from both sources is 50 gpm and (2) DEQ will require a source capacity of 125 percent of peak day demand, then the peak day supply available for permitting purposes is 40 gpm. DEQ guidelines indicate that 40 gpm is adequate for 27 homes with 0.2 acres of landscape per home.

Note that the DEQ minimum design requirement for homes without landscape irrigation is 800 gallons per day (gpd). For 27 homes, 800 gpd is equivalent to an average pumping rate of 15 gpm. Under the worst case scenario, it appears that the existing aquifer can sustain a rate of at least 15 gpm.

Recommendation. My recommendation is that the Association should allow Horseshu Vue Ranch Inc. or Baldwin (collectively, HVRI) to develop the additional 7 lots under the following conditions.

1. HVRI shall be responsible for achieving DEQ reapproval of the existing water system. HVRI will fund all engineering, permitting, and construction, including installation of booster pumps, individual meters, and any other miscellaneous system improvements required by DEQ. HVRI would not be responsible for payment of routine water testing or maintenance costs that would normally be required to operate the water system. HVRI shall obtain DEQ reapproval of the existing water system prior to platting of Phase 2, and prior to engineering and construction of Phase 2 water supply improvements.
2. HVRI shall be responsible for obtaining IDWR and DEQ approval of Well No. 2 and associated water system improvements. HVRI shall be responsible for funding engineering and construction related to Well No. 2 and the associated pump and appurtenances.
3. The covenants shall be amended to provide the Association with police powers to curtail water use. Furthermore, water use on all lots (existing and new) would be restricted to 2500 gpd (or some other amount determined by the Board). The limit could be adjusted based on total water use and aquifer water levels. All lots (existing and proposed) would be allotted an equal amount of water. Penalties would be imposed for excess water use.
4. HVRI shall equip un-built lots with "meter setters". Water will not be served to these lots until meters are installed.

5. HVRI should develop the warm water well near the arena (Well 3) for landscape irrigation purposes through installation of pump(s), pipeline, valves, and motor controls. Additional well completion and testing work is needed to determine potential yield, but there is a reasonable chance that the subdivision landscape irrigation supply could be doubled (perhaps from 35 gpm with Wells 1 and 2 to 70 gpm with Wells 1, 2, and 3). Water supplied from the warm-water well would be in addition to the proposed 2500 gpd per lot from the potable water system. In combination with Wells 1 and 2, Well No. 3 could potentially boost the total sustainable subdivision water supply (potable and non-potable) to the 90-gpm target requested by DEQ.
6. HVRI shall hire their own engineer (Briggs or others) for water system improvements and shall provide the Board with the opportunity to comment on design improvements, but DEQ should have the final say in approving improvements. . Scanlan is available to review designs on behalf of the Board.

Please contact me with any questions.

Sincerely,

Terry M. Scanlan, P.E., P.G.



State of Idaho

DEPARTMENT OF WATER RESOURCES

STATE OFFICE, 373 W. Franklin Street, Boise, Idaho

RECEIVED

JUL 05 1994

Givens, Pursley & Huntley

JOHN V. EVANS

Governor

C. STEPHEN ALLRED

Director

Mailing address:

Statehouse

Boise, Idaho 83720

(208) 384-2215

MEMORANDUM

TO: Dave Tuthill

FROM: Phil Rassier

PIR

DATE: May 7, 1979

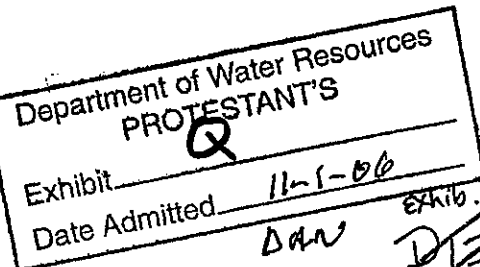
RE: Municipal Water Rights - Statutory Background

The general law regarding the quantity of a municipal water right appears to be that a city may acquire a preferred right to store or appropriate more water than is immediately needed, thus allowing for growth of the city.

This position was adopted by the Idaho court in the case of Beus v. City of Soda Springs 62 Idaho 1, 107 P.2d 154 (1940). However, in that case the court relied principally upon the provisions of Idaho Code Ann § 49-1132 (1952) which was repealed by 1951 Sess. Laws. Ch. 47, § 17, P. 57. The text of former I.C.A. 49-1132 stated:

"49-1132. Water, light, and power plants--Acquisition and operation--Charges for service.--Acquire by purchase, or otherwise, waterworks systems or plants, and also light and power plants, or any parts or portions thereof, and construct, enlarge, extend, repair, alter and improve such plants or either of them, or any parts thereof, and to supply the municipality and the inhabitants thereof with water, light and power, or either, and to charge private persons and corporations therefor; to supply any excess water, light and power, or either, to persons (including municipal and private corporations) without the limits of the municipality, and to charge therefor; but all such charges, rates or revenues shall be reasonable and shall be uniform and equal to all alike and based upon the service supply and proportionately, without discrimination in favor or against any person or persons whatsoever.

"In fixing said charges, rates or revenues, said municipal corporation shall have the right to take into consideration and include, in addition to all of its other expenses and costs incurred in the operation of said plants, any or all of the following items; any interest on any bonded or other indebtedness created in order



to acquire, construct, enlarge, extend, repair, alter and improve such plants, or any of them; a sinking fund to meet said indebtedness; and a fund to meet and provide for any depreciation on said plants, and to provide for extensions or equipment necessary to meet the needs of the community served."

The closest comparable provision presently existing in the Idaho Code is §50-323 (1967) which is as follows:

"50-323. Domestic water systems.--Cities are hereby empowered to: establish, create, develop, maintain and operate domestic water systems; provide for domestic water from wells, streams, water sheds or any other source; provide for storage, treatment and transmission of the same to the inhabitants of the city; and to do all things necessary to protect the source of water from contamination. [1967, ch. 429, §20, p. 1249.]"

Because I.C.A. 49-1132 was repealed subsequent to the decision in Beus v. City of Soda Springs a question naturally arises as to whether the holding of the case is still good law. The answer may appear in the case of Village of Peck v. Denison 92 Idaho 747, 450 P.2d 340 (1969). In that case the court indicated by way of dictum at footnote 4, page 751, that Idaho will probably continue to follow the preferred right theory for municipal water rights. The dictum states:

"[A]lthough the Village of Peck became a municipality only after the events giving rise to this litigation, we would have found it difficult not to allow the appropriation of some excess water (had there been any in fact) under I.C. §50-323 and its predecessors and Beus v. City of Soda Springs, 62 Idaho 1, 107 P.2d 151 (1940)."

While there is no longer hard authority recognizing preferred municipal water rights in Idaho it appears safe, in light of Village of Peck, to assume that the court is prepared to rule that municipals can obtain and hold such rights.



State of Idaho
DEPARTMENT OF WATER RESOURCES
 STATE OFFICE, 373 W. Franklin Street, Boise, Idaho

JOHN V. EVANS
 Governor

C. STEPHEN ALLRED
 Director

Mailing address:
 Storehouse
 Boise, Idaho 83720
 (208) 384-2213

ADMINISTRATOR'S MEMORANDUM

TO: Regional Offices and Water Allocation Section
 FROM: Norman Young *NY*
 DATE: November 5, 1979
 RE: Definition of "Municipal"

Department of Water Resources
PROTESTANT'S
 Exhibit R
 Date Admitted 11-1-00

"Municipal" as defined relative to beneficial use for the establishment of a water right includes domestic, irrigation, stockwater, fire protection, recreation, commercial, industrial, and any other water use incidental to the functioning of a city. The term identifies a "preferred" right in three ways:

- 1) A municipal right should not be quantified by rate of flow beneficially used at the time of examination, but rather by the capacity of the diversion works.*
- 2) A municipal right should not be limited by volume.
- 3) A sufficient description of place of use is:
 "Place of use within city limits of CITY NAME." Note that as city limits are changed, the place of use of the municipal right would change, requiring no water right transactions.

These three preferences allow the city to increase water use under an existing right. A city need apply for an additional right only when the diversion rate capacity is increased above the existing right.

Due to the preferred nature of a municipal right, its use is restricted to the corporate limits of the municipality. This limitation is derived from the statutory basis of the preferred right concept. Only the city or its delivery agent, for example Boise Water Corporation, can obtain a municipal water right. Unincorporated cities, subdivisions outside of city limits and other users of common water systems must identify the separate uses of domestic, irrigation, commercial, etc., and identify the specific place of use.

*This quantification must be limited to a "reasonable" extent. For example, the diversion of an entire stream when only a small portion is beneficially used may not be reasonable.

R-833

DEPT WATER RESOURCES 06-30-94 04:51PM P002 #42

MEMORANDUM

To: Water Allocation Bureau
 Adjudication Bureau
 Regional Offices

From: L. Glen Saxton *WJS*

RE: WATER RIGHTS FOR MUNICIPAL USE

Date: March 18, 1998

Department of Water Resources
 PROTESTANT'S

Exhibit 5
 Date Admitted 11-1-06
DAW

Amendments enacted in 1996 provided for entities meeting the definition of a municipal provider to obtain and hold water rights for reasonable anticipated future needs (RAFN) for a planning horizon (PH). Changes relative to municipal use appear in several code sections including 42-202, 42-202B, 42-217, 42-219 and 42-222, Idaho Code. The purpose of this memo is to provide general guidance for processing municipal use applications and permits and to address two questions concerning the application of these concepts to existing permits.

In the past, municipal water right holders generally have already utilized the benefits offered by the amended code sections, since the department has issued municipal water rights which provide for future development up to the volume of water capable of being produced by the installed diverting works. An effect of the amendments is to include additional entities under the term municipal provider who have not previously been included.

The state office has received applications which propose municipal use but do not describe whether the applicant proposes development which will be accommodated during the permit development period or whether the applicant intends to include RAFN/PH in the application. In order to clarify the intent of an applicant, the regional office should determine the following:

- a) That the applicant qualifies as a municipal provider. Any questionable application for municipal use needs to be accompanied by appropriate supporting information.
- b) The intent of the applicant prior to advertisement of an application. If the application is filed to accommodate RAFN, the applicant needs to describe the service area, the planning horizon, the type and quantity of use in connection with future needs. The length of the planning horizon may vary according to specific needs of a given municipal provider. If the extent of proposed development will be completed during the permit development period, the applicant does not need to provide the additional information relative to RAFN/PH.

Memo - Pg 1

*Exhib.
 P19*

Two specific questions have been raised concerning the 1996 amendments as follows:

Question 1. Can a municipal provider apply the concepts to an existing permit?

An existing permit, held by an entity that qualifies as a municipal provider under Section 42-202B(3), Idaho Code, can be amended to provide for RAFN over a PH if the permit was issued prior to the effective date of the municipal provider amendments and proof of beneficial use of water has not been submitted for the permit. Permits issued after the effective date of the amendments may not be amended because the permit holder had the opportunity to use the provisions when the permit was obtained.

Question 2. Will the department issue a license for a diversion rate larger than has actually been installed if the permit was issued or subsequently amended to provide for RAFN/PH.

No. Section 42-219(1), Idaho Code provides in pertinent part as follows:

A license may be issued to a municipal provider for an amount up to the full capacity of the system constructed or used in accordance with the original permit provided that the director determines that the amount is reasonably necessary to provide for the existing uses and reasonably anticipated future uses within the service area and otherwise satisfies the definitions and requirements specified in this chapter for such use. (Emphasis added).

This section should not be interpreted to mean that the director will issue a license for a diversion rate larger than the installed capacity of the diversion works as determined during the license examination.

c: Norman C. Young

Memo - Pg 2



State of Idaho

DEPARTMENT OF WATER RESOURCES

322 East Front Street, P.O. Box 83720, Boise, ID 83720-0098

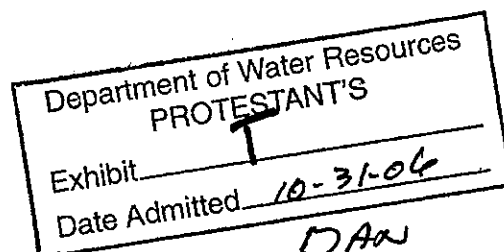
Phone: (208) 287-4800 Fax: (208) 287-6700 Web Site: www.idwr.idaho.gov

DIRK KEMPTHORNE
Governor

KARL J. DREHER
Director

May 2, 2006

David Head
North Ada County Foothills Association
855 W. Stillwell Drive
Eagle, ID 83616



VIA FACSIMILE TO (208) 939-9727 AND FIRST CLASS MAIL

Re: Request for Comprehensive Ground Water Resource Evaluation
and Consideration of New Water Rights Moratorium

Dear Mr. Head:

I am writing in response to your two letters to me dated January 25, 2006, and February 21, 2006, requesting a comprehensive ground water resource evaluation and moratorium on authorizing new appropriations of ground water in northern Ada County (area bounded on the south by Beacon Light Road, on the north by the Ada/Gem county line, on the west by State Highway 16, and on the east by State Highway 55). I apologize for my delay in responding to you and for not being available to meet with you as you requested in your February 21 letter.

I agree with you that when an area such as northern Ada County is subject to significant development and land use change, it is important to understand the availability of water for new uses and how those new uses may affect established uses under prior rights before authorizing the new uses. That is why I initiated collaborative hydrogeologic studies extending from 1996 through 2004 comprising what was called the "Treasure Valley Hydrologic Project" and why I have initiated a similar effort currently underway in north Idaho in cooperation with the State of Washington and the U. S. Geological Survey called the "Spokane Valley - Rathdrum Prairie Aquifer Study." This is also why Idaho Code § 42-203A requires that an applicant for a new appropriation of surface water or ground water, whether such application is protested or not, show that based on technical evidence the new appropriation will not reduce the quantity of water under existing water rights and that the water supply available is sufficient for the purpose for which it is sought to be appropriated.

While accurately determining the extent of available water for new uses will reduce future conflicts, such conflicts cannot be entirely avoided. As you know, the State of Idaho has adopted and implemented the prior appropriation doctrine as the basis for its laws regarding the appropriation and use of both surface and ground water. The prior appropriation doctrine is

Exhib.
P20

based on the presumption that there will always be time periods when there will not be sufficient water supplies for all uses, hence the priority dates for water rights are used to distribute the available supply in accordance with the principle that "first in time is first in right."

Another fundamental principle of the prior appropriation doctrine is "optimal utilization" of available water resources. Although water supplies in the west are not sufficient at all times for all uses, this does not mean that that finite water resources are over-appropriated or that at some point in time additional appropriations of a water source are prohibited because the established rights and uses might need the water at some time in the future. Rather, new appropriations are allowed when there is unappropriated water available to make optimal use of the water resource, recognizing that such newer rights are subject to curtailment when older rights from the same source of water are not receiving the water to which they are entitled. As a result, every year in every state that has implemented the prior appropriation doctrine to allocate water, junior rights are curtailed in favor of senior rights, which creates conflicts.

Regarding the northern Ada County area, the Treasure Valley Hydrologic Study did not focus on this area, but rather was directed at the regional aquifer system underlying the valley floor. The Treasure Valley study was not intended to provide a detailed evaluation of the unique local aquifer conditions in the Boise foothills. Because of anticipated land use changes and the associated new appropriations of ground water that will be sought in the northern Ada County area, as well as the adjacent areas to the west in Canyon County and around Emmett in Gem County, I have assigned staff the task of preparing a plan of study for developing comprehensive hydrogeologic characterizations of these areas. Like the studies I mentioned in the second paragraph of this letter, the approach will be collaborative and is envisioned to include a public information/ education component.

Some of the aquifers in northern Ada County have different geologic and hydraulic characteristics than the regional aquifer system underlying the Treasure Valley. There are at least four aquifers that have been identified in northern Ada County that to various degrees are hydraulically isolated from one another. The aquifers have been referred to as the: (1) Northern Margin Aquifer; (2) Willow Creek Aquifer; (3) Sandy Hill Aquifer; and (4) Spring Valley Aquifer. The composition of these aquifers ranges from interbedded sand, silt, and clay sediments in the Northern Margin Aquifer to coarse-grained, highly transmissive sediments in the Willow Creek and Sandy Hill aquifers. Because of the geologic complexities and limited hydraulic connection between some of these aquifers, it is not clear that a ground water model of the area would be appropriate. However, additional hydrogeologic characterization, development of water budgets, and ongoing monitoring of ground water levels and surface water flows are needed. These are key components for which funding will be requested in the Department's upcoming budget request for FY2008 (beginning on July 1, 2007) that will be submitted in August. Your association's support of the Department's budget request for this effort would be appreciated and helpful in securing the needed funding.

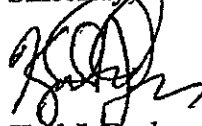
In the meantime, and based on presently available information, I have determined that a moratorium on new applications for permits to appropriate ground water is not warranted for

northern Ada County. Article XV, Sec.3, of the Idaho Constitution states: "The right to divert and appropriate the unappropriated waters of any natural stream to beneficial uses, shall never be denied" In furtherance of this constitutional provision, Idaho Code § 42-226 states in part "while the doctrine of 'first in time is first in right' is recognized, a reasonable exercise of this right shall not block full economic development of underground water resources." Current information indicates unappropriated ground water is available in northern Ada County. While additional studies and ongoing monitoring are warranted, as discussed above, it would be inappropriate at this time to deny applicants the opportunity to present technical evidence to demonstrate that unappropriated ground water is available and that additional appropriations can be made without reducing the quantity of water under existing water rights. If sufficient technical evidence is not submitted by an applicant to demonstrate that unappropriated ground water is available and can be developed without reducing the quantity of water under existing water rights, or any of the other requirements in Idaho Code § 42-203A are not satisfied, in accordance with Idaho law I will reject such application and refuse to issue a permit to appropriate water.

When the plan of study for the hydrogeologic characterization and development of water budgets for the aquifers in northern Ada County is completed, a copy will be provided to your association. In that regard, it would be helpful if you would provide my office with information about the exact location of the 8 wells that will be monitored by SunCor, a description of the wells to be monitored and their uses, together with the agreed upon protocol for monitoring.

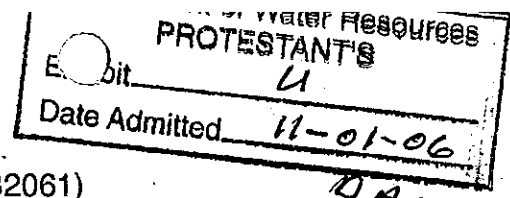
Thank you for expressing your concerns on these important topics.

Sincerely,



Karl J. Dreher
Director

c: Senator Brad Little
Senator Hal Bunderson
Representative Stan Bastion
Ada County Commissioner Judy Peavey-Derr
Ada County Commissioner Fred Tiolman
Ada County Commissioner Rick Yzaguirre
Mayor Dave Bieter
Mayor Tammy de Weerd
Mayor Nancy Merrill
John Westra – IDWR Western Regional Manager



Presentation on the SunCor Well Protest (63-32061)

by Philip Fry

31 October 2006

Why protest?

We must protest because this permit is the start of a water crisis generated by build out of the N. Foothills which must be constrained. This is also the time to recognize that the Boise Valley is changing from agricultural, and mining water usage to municipal water usage. And the SunCor statement to mitigate consumptive water use is only words, having no substantive commitment or legal constraints and is not relevant to this application.

Idaho Laws and later precedents give the IDWR the authority and discretion to "determine and protect the public interest, to discourage waste and to encourage conservation." I see little of that in this application, but rather an attempt to obscure the scope of the impacts and to get their water at the expense of future generations using the traditional first in time, first in right rules and traditional amounts.

Instead, the public interest is an equitable sharing of the N. Foothills aquifer by all future generations, and living within the sustainable water supply. These goals must change the traditional constraints on water usage allowed by IDWR and municipal providers. And I hope to persuade the IDWR to start toward that same goal, as stated in the IDWR mission statement.

The Argument.

Essentially this is a plea for common sense in developing the N. Foothills. I shall argue below that IDWR has the legal right, a legal obligation and a moral obligation to conserve water consumption for all future residents. However I am concerned here with the Ada County North Foothills area where I shall further argue the following :

- IDWR, Ada County , Boise, and Eagle must work together to equitably share aquifer resources among all future residents,
- Use of the Valley aquifer must be sustainable,
- Developers and IDWR have a poor understanding of total water availability for residents.
- Plans by SunCor and other Developers show no equitable sharing of aquifer use,
- The developers plan excessive use of the aquifer and must be constrained,
- The increases to the valley population will cause a water crises which will require eventual legislative restrictions on water usage and a backfit of conservation measures,
- The N. Foothills is now undeveloped and will allow applying best designs to conserve water,
- The N. Foothills aquifers are somewhat isolated from the valley and its recharge from surface water,
- Therefore, for all new developments in the North Foothills we must now restrict water use to equitably share the aquifer with all residents and to reduce the impacts of backfitting future legislative water restrictions.

Problem Analysis

This permit will allow usage of a large amount of water which, with other N. Foothills developments, will strain the aquifer, impact surrounding wells and hamper growth in the N. Foothills. First we need to recognize that population increases in the Boise Valley are leading to a municipal water crisis which, in turn, will lead to legislation to backfit water constraints on all residents, both an expensive and unpopular process. Second we must recognize that the N. Foothills is a special, isolated aquifer and that the all new developments there can use the best designs to minimize water use with little extra cost. This allows the N. Foothills to be a leading example of coming water conservation and which will enable reduced impacts to backfit constraints from future expensive legislative action. The following expands on these issues and calculates the effects on the aquifer when applying several optional methods of constraints, attempting to quantify, as best I can, the issues outlined in my protest.

First, let's summarize the N. Foothills aquifer characteristics. But, in short, developers and IDWR have a poor understanding of total water availability for residents and should not allow such massive aquifer usage without better knowledge. Using available data from farm and home wells peripheral to the N. Foothills, Petrich & Urban's 2004 IDWR Report describes the aquifers as follows. The Treasure Valley contains a deep, regional aquifer system (typically confined, with depths ranging from about 250 to more than 1,500 feet) and a shallow aquifer system (typically unconfined, generally less than about 250 feet in depth). Subsurface flow rates between the shallow and deeper regional aquifer systems have not been

quantified. Percolating water from surface sources recharges shallow zones first. The IDWR water budget identifies that 91% of the shallow recharge is provided by irrigation, canals and river seepage. Recharge to the deeper regional system depends on local hydraulic gradients and on the hydraulic characteristics of aquifer materials. The upper aquifer has irregular flow, the lower is more regular with more transmissivity. The regional flow system has relatively long residence times of over 20,000 years implying marginal transmissivity, limited recharge, and/or limited discharge. A known NW fault line a few miles north of State Street is a geographical barrier to readily available water.

SunCor has developed many exploration wells in the area and reports finding isolated areas of poor to fair water availability and the need for importing water. The SunCor water report further identifies NW faulting separating their Willow Creek aquifer from the N. Eagle Northern Margin aquifer. Using data for these same wells, M3-Eagle's preliminary studies propose a strong connection between the M3-Eagle water sources and the valley aquifers and don't find the faulting identified by IDWR. M3-Eagle has an ongoing program of additional well exploration and funding of an area water model by the U of I. I expect the area's aquifers will only be better defined in a few years by IDWR studies using this water model.

These descriptions of the aquifer show a reasonable doubt on large scale use, on impacts to my well, and the need for IDWR evaluation of the planned extensive aquifer usage before committing to full approval of this application.

General Valley Water Problems

We will have a water crisis in the Boise Valley. But when? 20 years? 30 years? In 20 years we will increase valley municipal water usage by more than a third. And it will take the Idaho Legislature a least another 5 or 10 years to build the political will to implement water conservation legislation. Then predicted usage will be at least 42% to perhaps 46% over the 2000 municipal usage. This aquifer consumption then shows massive growth and half of the county growth predicted by Compass is now planned in the N. Foothills. This is the crisis knocking on our front door.

The numbers are derived as follows. Urban's IDWR reports say that the valley water budget was approximately in balance in 2000. But this is only because 91% of the shallow aquifer is provided by the river, canals and irrigation. But Compass predicts adding 62,000 to 67,000 homes to Ada County in 20 years which adds 26,000 to 28,000 acre feet/ year of water use at a typical 380 gpd/home usage proposed for the N. Foothills. This is an increase of 34 - 36 % for all municipal water used in the Boise Valley in 2000. In 25 years Compass predicts 80,000 more homes for 33,000 AF /year = a 42% increase over the 2000 municipal usage. And in 30 years Compass predicts 87,919 more homes for a 46% increase. Further the development plans for the N. Foothills are 31,890 homes in 20 years, half of Compass growth predictions.

A second aquifer impact is the decline of agricultural irrigation which is the saving recharge source keeping the water budget in balance. Urban's 2000 IDWR Water Budget Report estimates that between 1996 and 2000 the valley's municipal water use grew roughly by 16% (10,700 AF) while water use declined for agricultural irrigation by 26% (-18,900 AF). Thus we lost about 7,500 AF of aquifer recharge = 91% of the difference. Eagle has recognized this problem of maintaining the aquifer, and requires irrigation rights to pass with the land to the city for use in municipal irrigation. Similarly Nampa supports a dual supply water systems allowing conservation of precious potable water from the aquifer. Conventional wisdom says replacing valley farmland with developments will use less irrigation water, and therefore have less groundwater recharge through reduced irrigated area and efficient application. But Farmers Union Ditch officers see little change in usage with Eagles developments. Perhaps this is because of added water lost to evaporation from the many ponds being used.

Arizona also recognized they had a water crisis in the '60s and finally passed the 1980 Ground Water Management Code which works toward restoring a balanced water use budget. These laws created a whole a new method of water management which now requires aquifer recharge, new homes to have a 100 year source of water, and all homes to backfit water usage limits with incentives, penalties, home inspections and consumer education. They just have a large bureaucracy to do it. The Arizona DWI budget is \$50 million compared to Idaho's IDWR \$10 million budget. However Idaho's need for a constitutional change and our lack of political will require a crisis for such changes here. But Arizona's example provides a good model of the impact of water mining and its correction with all the details and plans.

Our only economical choice is to reduce the water usage. The first in time, first in right principal must be preempted by the municipal principals of an equitable sharing of all resources by all future generations. And cities have not yet used their ability to reserve needed municipal water rights. So some measures we can implement now are:

- IDWR can allocate less water for each well permit, i.e. reduce the allowed beneficial use,
- IDWR can actively promote municipal water reservation by valley cities,
- IDWR can actively promote and guide the valley governments in implementing consistent water conservation restrictions using the development CC&Rs,
- Valley cities and Ada Co. can limit water usage and demand efficient building designs using development CC&R's, and
- Municipal water usage can be actively controlled with metering and usage charges.
- Separate irrigation and potable water system can be required in all new developments to prevent use of potable water for irrigation, and allow using gray water and surface water use as the aquifer is depleted.

Such restrictions will probably have to be back fitted in say 25 years by legislative action for the whole valley. The political problem for these valley governments is that such restrictions must be equitably applied to all other N. Foothills developments including SunCor, Dry Creek Ranch, Cartwright Ranch, Bragail, M3-Eagle, Kastera Homes, Hidden Springs and any additional builders on the remaining 52% of private land in the N. Foothills. The landowner lawsuits from inconsistent restrictions would be expensive and defeat the effort.

Calculating Water Usage

Much of the valley's added population will be in the N. Foothills or South of Boise which are outside of the valley's irrigated areas that are recharged by surface water. These areas are only recharged from precipitation, underflow from springs/ foothills precipitation, cross flow from irrigated areas, and their own septic systems. Our concern here is the N. Foothills. The Petrich & Urban 2004 IDWR Report, SunCor's water study, and M3-Eagle's preliminary studies all identify several areas with different water chemistry indicating fault lines which somewhat isolate the N. Foothills aquifers from the valley and prevent or at least greatly limit any cross flow for aquifer recharge from outside areas. Lack of water models prevent exact calculations so below I simplify this issue and assume the N. Foothills is one area to evaluate gross impacts. I expect the area's aquifers will only be better defined in a few years by studies using the water model developed by the U of I and funded by M3-Eagle.

IDWR Water Allocation

The SunCor application (63-32061) is for 5 CFS over about 9 sq. mi. (= 5800 A) in the three counties of the N. Foothills. This permit will allow SunCor's Avimor developments to pump 7,000 AF/yr. combined with the previously approved 5 CFS permit (63-31966 in Boise Co.). This is 30 % of all aquifer recharge water (23,672 AF) for the whole of Ada County defined in Urban's Water Budget report for the available sources. And SunCor reports the need to import more water. Further, Dry Creek Ranch to the South, for their 4300 homes, has recently submitted an application for another 5 CFS, in addition to their 11.4 CFS of irrigation wells which will be limited to 7.43 CFS = 5,300 AF/ yr. Further, all seven current developers will need permits which allow pumping 39.5 CFS = 27,900 AF/year for their 31,890 homes at 800 gpd/home usage. This is 36 % of all actual domestic water use in the valley for 2000, with only 20% more homes and only 52% of the Ada County N. Foothills area. This also shows that another 25 CFS in applications are coming for IDWR approval. This total allocation will allow mining of the aquifer and, within a reasonable doubt, impact my well. For this reason IDWR must be more restrictive in allocating water rights.

But this is allocated water usage, which is only allowed if developers can show a "beneficial use" and allows excess capability to support emergency uses like fire protection and superbowl breaks. The problem is this. IDWR policy does not encourage developers to conserve resources, but to expand "beneficial use" to best sell their homes, including impractical landscaping, inefficient appliances, large ponds, more golf courses, swimming pools and such. Therefore I request that IDWR put constraints on water use for this and all future N. Foothills water permits which will allow equitable sharing of the N. Foothills aquifer by all future generations.

Calculation Method

To promote the goal of a sustainable aquifer, I need to compare the water usage for the proposed developments with the available aquifer water recharge. IDWR has computed a water budget for the valley but none for the N. Foothills. The N. Foothills faulting, separate aquifers, separate drainage and lack of area wells to support testing has made water assessment complex and too expensive.

To fill this void I used the methods in Urban's 2000 Water Budget report to compute a realistic rough limit for recharge by scaling the report's rates of precipitation and underflow by the areas 38,500 acres for the land types of arid/barren and residential. To better account for upwelling from foothills I used twice the foothills area for precipitation. I also used a buildout of 1/4 residential area for a much higher absorption of precipitation. I allowed no cross flow recharge from the valley. This realistic rough recharge is 6,500 acre feet/year. But below I will compare to an optimistic recharge limit of 9,000 acre feet/year which is half again more. This perhaps further adjusts for additional upwelling from possible springs posed by the SunCor report and some cross flow from the Farmers Union Ditch proposed by M3-Eagle. And this estimate is 43% of the total valley budget for these sources in Urban's 2000 water budget. Any usage over this 9,000 acre feet/year limit then will surely be significant, until coming water studies identify the aquifer details.

IDWR reports four aquifers in the area, so this recharge limit is a simplification to better compare impacts of water usage choices. Water engineers could compute a better estimates but have not -- IDWR studies are costly and must hold up in court, and private water engineers are asked by customers to isolate their scope to immediate issues. If the lawyers complain that these values are wrong or misleading then let their customers wait for the water modeling of the total N. Foothills buildout before requesting these unreasonable water rights.

Next consider home water usage estimates. SunCor does not commit to numbers of homes or planned water usage so I use the number of homes, 12,925, allowed by the requested zoning. Also research finds some relevant home water usage values and estimates as follows:

<u>Area</u>	<u>Average Usage</u>	<u>Year</u>	<u>Source</u>
Nampa	116 gpd/ home without irrigation	2000	Urban's Water Budget
Prescott AZ actual	150 gpd/ home	1993	AZ Management Plan
Caldwell	178 gpd/ home without irrigation	2000	Urban's Water Budget
Boise	236 gpd/ home	2000	Urban's Water Budget
Prescott AZ target	<u>244 gpd/ home</u>	2000	AZ Water Mgmt. Plan
Kuna	279 gpd/ home	2000	Urban's Water Budget
United Water development	295 gpd/ home	recent	M3-Eagle Plan
Western N. Foothills	<u>380 gpd/ home</u>	2006	M3-Eagle Plan proposal
United Water of Idaho	473 gpd/ home	recent	M3-Eagle Plan

M3-Eagle has committed to 380 gpd/ home in their N. Foothills development with use of gray water for irrigation of parks and golf courses. And finally, Arizona's Assured Water Supply program is part of the historic 1980 Groundwater Management Act. The third Water Management Plan for 2000 in the Prescott Arizona area gives target usage at Prescott as 57 gpd/ person + 75 gpd/ house for irrigation which is easily met through good design and education. Their Management Plan provides details to meet this goal. At Eagle's 2.96 people/home (Compass) this is a goal of 244 gpd/home which will reduce as the Eagle population matures. Below I use 380 gpd/home for typical development usage and compare this with Arizona's 244 gpd/home for conservation usage. And as the table of valley usage shows, we could do even better.

Water Conservation Benefits

What can such a water conservation approach do? I show here that by using reasonable restrictions we can probably reduce water usage for all planned developers from 13,200 to 8,500 AF/year, a saving of 35%. And such a reduction, with following monitoring and aquifer modeling, will make impacts to my well acceptable.

SunCor's total 13,559 homes in two Avimor developments will actually need 5.2 million gpd = 8.0

CFS average well capacity = 5,600 acre feet/year = 62% of the available recharge limit. This shows SunCor probably has enough water to build except for aquifer isolation limitations, but potentially at the expense of us other residents. Consider that all seven developers now plan 31,890 homes which will need 12.1 million gpd = 18.7 CFS average well capacity = 13,200 acre feet/year = 1.5 times my recharge limit. This usage is also 17% of all municipal water used in the valley in 2000. I can only expect this large usage to affect my well by draining the deep aquifer which then drains my well's shallow aquifer.

But consider owners who want to develop the remaining nearly 16,000 acres of private land in the N. Foothills? In the worst case all together, and if they were able to justify the needed water rights, they could use 25,000 acre feet at the same rates. So the water usage by the SunCor development is too high or the home density is too high. This build out will require mining the aquifer, importing additional potable water from other sources, or coordinated reduction of housing density through restrictions in the Ada County, Boise and Eagle Comprehensive Plans. This usage will also inhibit further development by owners without a prior water right. Therefore I request that IDWR put constraints on water use for this and all future N. Foothills water permits which will permit equitable sharing of the N. Foothills aquifer by all future generations. We are headed into a crisis and can not afford to continue business as usual.

How much water is needed for this permit?

If SunCor can commit to the Arizona target goal of 244 gpd/ home, then the above disasters are mitigated considerably. SunCor's two Avimor developments with 13,559 homes on 20,910 acres could use only 3.3 million gpd = 5.1 CFS well capacity = 3,600 AF/yr. And with the same commitment from the other developers, the total usage by all 31,890 homes now planned is 7.8 million gpd = 12.0 CFS average well usage = 8,500 AF/year. This might even allow other owners to build on 40 acre lots on the remaining 16,000 acres of private land and allows an acceptable initial risk to my well until modeling shows better usage values. I submit that 244 gpd/ home is a reasonable target for water usage in all N. Foothills developments.

Issues from my Protest

I have then reasonably demonstrated the issues of my protest which are:

1. This application, with the Boise Co. permit, allows mining water from areas of planned developments and moving the water to their development. This impacts the potential for development in the N. Foothills and will probably eventually affect my well by drawing water from the shallow aquifer.
2. This application can, or will indirectly, use scarce potable water for irrigation. Potable water should be preserved for home use only and require water reuse and surface water rights be obtained for irrigation.
3. This permit would add to impacts on present well levels, which, with future usage, would eventually require added drilling of my well. Even if the wells are in the deep aquifer, depletion of that aquifer will lead to draining water from the shallow aquifer.

Actions needed

I think I have reasonably shown here that the N. Foothills aquifer is a looming crisis for which the IDWR should start mitigation now. The N. Foothills allows implementing solutions not needed yet in the valley because the aquifer is not generally maintained by river and irrigation water, because only new housing is involved, because the new construction allows best water conservation designs, and because there will be little back fit required for future legislated water restrictions.

So what prevents a solution in the form of legal water restrictions? Precedents and political will.

I searched IDWR databases for restrictions applied in past Municipal and other uses in the Treasure Valley and Twin Falls area. I occasionally found only two restrictions which don't apply here: not using municipal water if surface water rights are available and the standard flow restrictions on domestic wells of 13,000 gpd. Therefore I believe the needed restrictions are unprecedented and require either a new approach by IDWR and/or a campaign for legislative intervention.

IDWR knows much better than I what permit restrictions and other actions can be effective and they are able to apply historical knowledge of such previous needs of other areas. In the protest I suggest a range of actions as follows:

- Approve the SunCor permit only with explicit requirements to mitigate and share well impact costs. All future N. Foothills permits would be the same.

- Approve only with explicit requirements to periodically monitor well levels and perform flow tests with area impacts on adjacent wells to support future decisions. Apply this to all future N. Foothills permits.
- Approve only with explicit requirements to implement a recharge method at a future time or condition. Apply this to all future N. Foothills permits.
- Approve only with explicit requirements prohibiting or phasing out irrigation from this SunCor permit as well as all future N. Foothills wells to force gray water use and surface water purchase.

I add here the additional actions to:

- Approve only with average water usage targets per home which are compared to measured usage using effective incentives and penalties. Apply this to all future N. Foothills permits.
- Actively promote municipal water reservation by valley cities.

As my protest also requests, IDWR should coordinate with the County, Cities, and NACFA to:

- Initiate a common reduction of present water usage,
- Plan for aquifer recharge, and
- Contribute to water use restrictions in Comp. Plans and zoning regulations using equitable CC&R restrictions.

Conclusion

The Mission in the IDWR strategic Plan is to serve the people of Idaho by ensuring that water and energy are conserved and available for the sustainability of Idaho's economy, ecosystems, and resulting quality of life. Idaho Laws and later precedents give the IDWR the authority and discretion to determine and protect the public interest, to discourage waste and to encourage conservation. To this end I see the public interest to be an equitable sharing of the N. Foothills aquifer by all future generations. This goal must change the traditional constraints on water usage. And I hope to persuade the IDWR to start progressing toward that same goal.

Long and costly legal arguments by developers trying to afford infrastructure and maximize profits will be cheaper than a legislative back fit of these sensible actions when the water crisis comes, and the developers have disappeared. But unfortunately such suits will impact current IDWR budgets.

I feel a little like the wandering prophet Elijah coming to warn you of the coming water crisis and the need for change. But you know my message already. What you need is a sign which hasn't come yet, so I must appeal to your conscience until the water crisis causes old testament hardships and legislative change. What I add here is identifying the opportunity to act in the N. Foothills now. I believe you can change some water problems now by the way you deal with development.

There are many examples of government in crisis from lack of will. Arizona is a good example of this and the extreme measures needed to recover from past water use excesses. Idaho also has their examples. The 1983 Supreme Court ruling for Idaho Power water rights required a Swan Falls Agreement. The 2003/4 water compromise offered by the Nez Perce tribe was needed to help salmon recovery. My favorite worst example is the Hurricane Katrina disaster which is a failure by the cities and states to prepare adequate long term plans for a known problem and a failure in a realistic disaster response. This is in addition to the Federal problems. Let us not become a crisis in the N. Foothills.

References

- Petrich & Urban, 2004 IDWR Report -Characterization of Ground Water Flow in Boise Basin,
- Scott Urban, Water Budget for the Treasure Valley Aquifer System for the Years 1996 and 2000,
- Arizona State 1980 Groundwater Management Code,
- Arizona Plan for the Third Management Period, adopted in December 13, 1999,
- Ada Co. Draft N. Foothills SubArea Comprehensive Plan, of 2006
- M3-Eagle Development Plan of 1 Aug. '06 with updates.